



0000019450

EXHIBIT

A-1

admitted 4-26-05

Richard L. Sallquist, Esq. (002677)
 SALLQUIST & DRUMMOND, P.C.
 4500 S. Lakeshore Drive, Suite 339
 Tempe, Arizona 85282
 Telephone: (602) 224-9222 Fax: (480) 345-0412
 Attorneys for Sunrise Utilities, L.L.C.

RECEIVED

RECEIVED

A-1-7
S-1

2005 MAY 11 P 12:23 2004 AUG 17 A 9:48

AZ CORP COMMISSION AZ CORP COMMISSION
DOCUMENT CONTROL DOCUMENT CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF ~~Arizona Corporation Commission~~ DOCKET NO. WS-04247A-04-0604
 SUNRISE UTILITIES, L.L.C. FOR A **DOCKETED**
 CERTIFICATE OF CONVENIENCE AND
 NECESSITY TO PROVIDE WATER AND MAY 11 2005 APPLICATION
 WASTEWATER SERVICE IN MOHAVE
 COUNTY, ARIZONA. DOCKETED BY RN

Sunrise Utilities, L.L.C. (the "Company" or "Applicant") submits this Application for a water and wastewater Certificate of Convenience and Necessity. In support of this Application, the Company states as follows:

1. On March 23, 2004, the Company filed a water and wastewater Certificate of Convenience and Necessity Application with the Commission in Docket No. WS-04247A-04-0217.
2. On April 22, 2004, Staff notified the Applicant that the Application was deficient, and that the items set forth in the **Tab A** hereto were required to complete the sufficiency.
3. The Company was unable to obtain and all required information prior to Administrative Closure of that Docket in Order 67122.
4. The Company has now obtained the required information which is attached hereto as **Tab B** to this Application.
5. A copy of the revised and completed Application for a Certificate of Convenience and Necessity ("CC&N") as required by the Commission is attached hereto as **Tab C**.

1 6. Copies of the Requests for Service from certain owners of the Subject Area,
2 supporting the Application are attached as **Tab D**.

3 7. The Subject Area presently includes an area for which a water CC&N has been
4 issued to Beaver Dam Water Company. A companion Deletion Application has been filed in
5 Docket No. W-03067A-04-0216, which if granted by the Commission, will eliminate that
6 conflict.

7 8. The Company proposes to provide service to the Subject Area under the rates,
8 charges, terms and conditions as set forth in the proposed Tariff in **Attachment 4 to Tab C**
9 hereto, as those rates may be amended by appropriate regulatory action.

10 9. The Company will provide the form of notice attached as **Attachment 8 to Tab**
11 **C**, as that notice may be modified by the Procedural Order in this Docket, and file an Affidavit
12 to that effect with Docket Control upon completion of said notice.

13 WHEREFORE, the Company respectfully requests that the Commission hold a hearing
14 on this Application as soon as practicable, and thereafter issue an order granting the requested
15 water and sewer Certificates of Convenience and Necessity.

16 Respectfully submitted this 16th day of August 2004.

17 SALLQUIST & DRUMMOND, P.C.

18 By: 

19 Richard L. Sallquist
20 SALLQUIST & DRUMMOND, P.C.
21 4500 S. Lakeshore Drive, suite 339
22 Phoenix, AZ 85016
23 Attorneys for Sunrise Utilities, L.L.C.

1 The original and fifteen copies of
2 the foregoing were filed this 16th
day of August, 2004:

3 Docket Control
4 Arizona Corporation Commission
5 1200 W. Washington St.
Phoenix, AZ 85007

TABS

- A. April 22, 2004 Notice of Deficiency
- B. Completed Deficiency Items 1 through 7
- C. CC&N Application Form
- D. Requests for Service

A

COMMISSIONERS
MARC SPITZER - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES



BRIAN C. McNEIL
Executive Secretary

ARIZONA CORPORATION COMMISSION

April 22, 2004

Richard Sallquist
Sallquist & Drummond
2525 East Arizona Biltmore Circle
Suite 117
Phoenix, Arizona 85016

Re: Sunrise Utilities, L.L.C. - Application for a Certificate of Convenience and Necessity (CC&N) Docket WS-04247A-04-0217

Dear Mr. Sallquist,

In reference to the Sunrise Utilities, L.L.C. Application for a Certificate of Convenience and Necessity, docketed March 23, 2004, this letter is to inform you that the application has not met the sufficiency requirements as outlined in Arizona Administrative Code.

1. Please provide a copy of the approved Mohave County Council of Governments §208 plan, any subsequent amendments to the §208 plan, and any proposed amendments to the §208 plan for the proposed wastewater certificated area.
2. If the information is not contained in the §208 plans, please submit a master wastewater design report which clarifies how wastewater service will be provided to the proposed CC&N area.

The report should identify the location of existing and future wastewater treatment plants and major wastewater interceptors. It should also provide the capacities of existing and future wastewater treatment plants, any existing service base in the proposed C&N, service connections at build out in the proposed CC&N, estimated wastewater flow from a typical dwelling unit.

The report should also include the estimated wastewater total flows or contributions from future build out within the proposed CC&N, the timing or construction phasing of facilities and methods of effluent disposal.

Please include any other information which will allow the Commission to analyze and conclude that the company has sufficient wastewater treatment capacity, or can develop enough treatment capacity to service the existing and future demands from the proposed CC&N.

TAB A

3. Please provide a copy of the Arizona Department of Environmental Quality's "Aquifer Protection Permit" for the wastewater treatment plant. If that permit has not been issued, please inform the Commission of the status of the application for that permit.
4. Please submit a drinking water design report which clarifies how water will be provided to the proposed CC&N extension.

The report should identify existing and future sources, the capacities of existing sources, the estimated capacities of future sources and any existing demand on the present water sources.

The report should include the estimated water demand from a typical dwelling unit, the estimated demand from the proposed CC&N.

The report should identify the location of future and existing transmission mains and include the timing or construction phasing of facilities.

The design report should describe water quality and address any water quality problems with the existing and future sources of water (as an example, will extra treatment costs arise in order to meet existing or future maximum contaminant levels for arsenic nitrates or fluorides in the drinking water?).

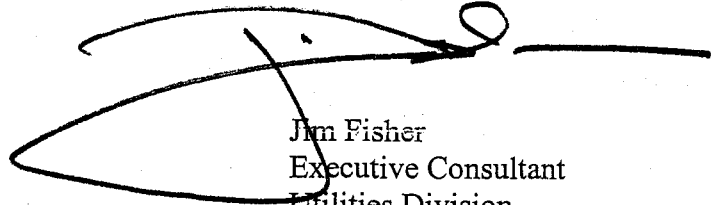
Please provide any other information which will allow the Commission to analyze and conclude that the company has sufficient water production capacity, or can develop enough drinking water capacity to service the existing and future demands from the proposed CC&N.

5. Please provide a set of design plans for the proposed water and wastewater facilities.
6. Please provide an estimate of the water and sewer construction costs to the Sunrise Utilities L.L.C., necessary to serve the proposed CC&N. The costs should include a description of the major components with the cost of the component (i.e., 500,000 gallons per day sequencing batch wastewater treatment, lineal feet of off-site sewage interceptors or collection mains, lineal feet of on site collection mains, wells, number and size of storage tanks, etc.). The method of financing for the major components should be specified.
7. Historically Staff has not recommended hook-up fees for newly starting water and wastewater utilities. It is likely Staff will adopt a similar position for this application. However, since hook-up fees for water and wastewater have been requested in your application, please describe how the amounts of the proposed hook-up fees were derived, how they were allocated to customer classes, and how the fees will be used.

Per Arizona Administrative Code upon meeting sufficiency requirements, the Commission has 150 calendar days for its substantive review. This includes conducting a hearing and preparing a proposed Opinion and Order to present to the Commission at an Open Meeting.

Should you have any questions or concerns on this matter, please contact me at (602) 542-0839.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Fisher", with a large, sweeping loop at the end.

Jim Fisher
Executive Consultant
Utilities Division
Arizona Corporation Commission

C: Docket Control
Lyn Farmer
Dorothy Hains
Brian Bozzo

B

DEFICIENCY ITEMS

Item 1. Please see attached. A single copy of the companion CD is filed under separate cover.

Item 2. Please see Item 1.

Item 3. The Company's engineer will file the Application for the Aquifer Protection Permit within 14 days of this Application.

Item 4. Please see attached.

Item 5. Due to the voluminous report and oversized drawings, single copies of that report and the supporting drawings are being filed under separate cover.

Item 6. Please see attached.

Item 7. The proposed Hook-up Fees are computed in Schedule 8 and Schedule 9 of Attachment 3 to Tab C, copies of which are attached hereto for your convenience. Those Hook-up Fees are also set forth in the proposed Tariff, contained in TAB C, Attachment 4, Sheets 9 and 27. The Company is of the opinion that the proposed HUF levels are still appropriate. The risk of development in this area is such that the use of HUF's properly places a portion of that risk on the Developer.

Please note that the revised five-year construction budgets for water has been increased by \$256,687, and the wastewater budget has been reduced by \$352,203. Those adjustments bring the water and wastewater Backbone Plant costs per unit to \$2,668 and \$1,903 respectively. At the revised construction costs, the proposed HUF level is reduced to a Developer participation of 56 percent of the cost for water facilities, and increases the wastewater participation to approximately 91 percent. The combined participation for water and wastewater facilities is approximately 71 percent of the total Backbone Plant cost. The resultant Depreciation Expenses and Operating Incomes change by approximately \$10,000 and \$13,000 respectively. The Rates of Return on those adjusted Rate Bases during the first five years of operation still remain negative or quite low. Therefore, the original rates proposed in the Company's March, 2004 filing have not been revised.

TAB B

Mohave County 208 Water Quality Management Plan

Prepared for:

Mohave County
PO Box 7000
3675 E. Highway 66, Suite A
Kingman, Arizona 86402-7000

Prepared by:
Stantec Consulting
Himes Consulting LLC

September 2003

MOHAVE COUNTY SECTION 208
WATER QUALITY MANAGEMENT PLAN

Items 1 & 2

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service but the County does not have a requirement for hook-up to regional service providers. Arizona-American Water Co. operates the Sun Lakes plant north of Lake Havasu City, which has a capacity of 50,000 mgd, with current flows averaging 0.025 mgd. Arizona-American Water Co. also owns and operates the Gateway system located south of Topock, which has a capacity of 0.112 mgd.

Desert Fountain Estates, outside the Kingman City limits, is proposing a sewage vault system for temporary storage until a treatment plant can be built. Dominion's APP was recently approved for their Griffith WWTP, located off of the Griffith and Interstate 40 interchange.

Beaver Dam/Littlefield. There are two small wastewater treatment plants operating in this area. One is a package plant with a capacity of 0.37 mgd serving Beaver Dam Estates. The Biasi Lagoon serves the Virgin Acres area. The Scenic Improvement District is being formed to serve the area shown on Figure 14. The Virgin River Domestic Wastewater Improvement District service area is shown in Figure 15.

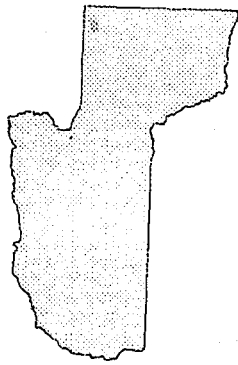
4.2.2 General Compliance Issues

All sewage treatment facilities must be in conformance with Certified Areawide Water Quality Management Plans, Facility Plan or General Plans prepared consistent with Section 208 of the Federal Clean Water Act per R18-5-303.

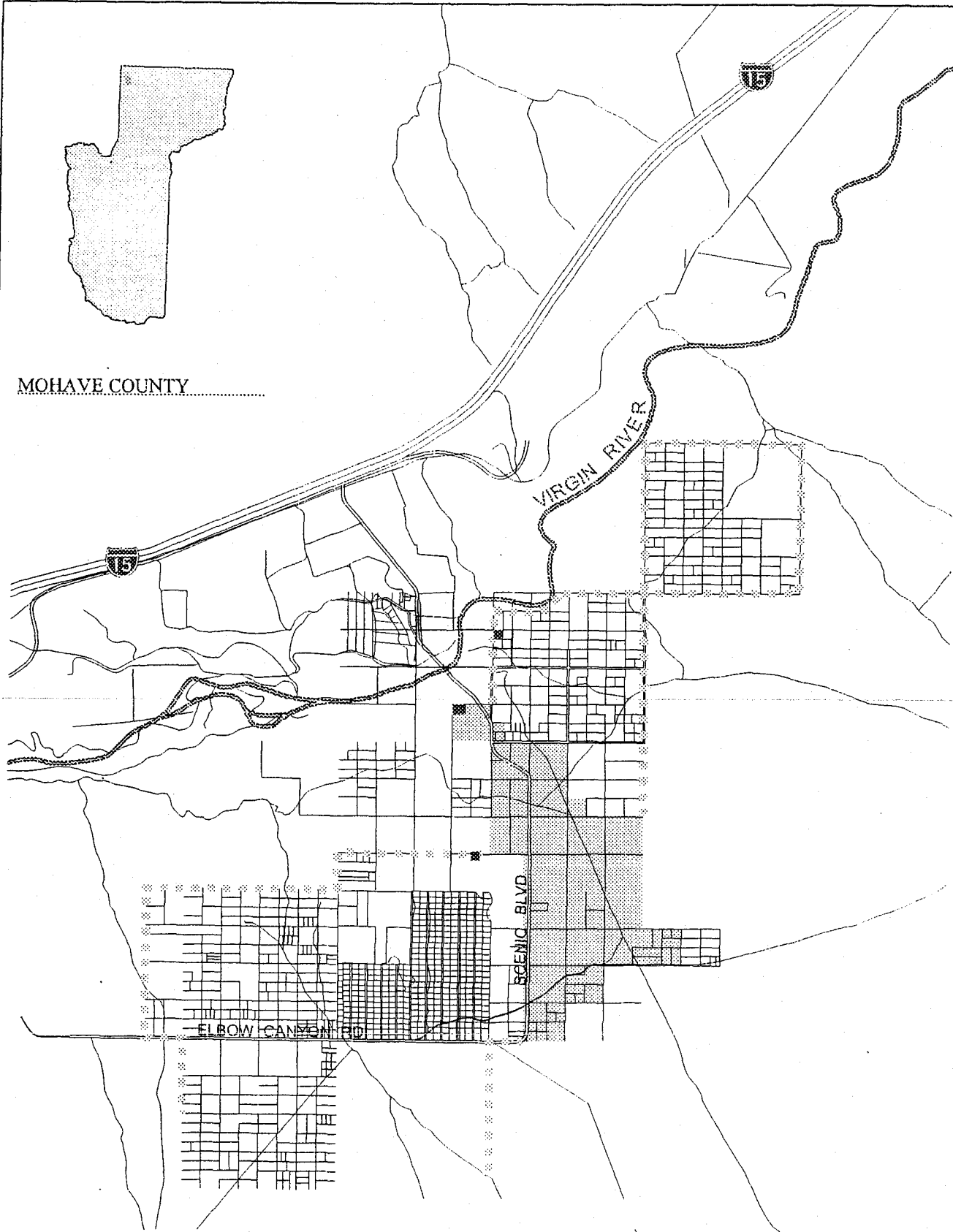
4.2.3 Recommendations

The key issue identified in the County is providing adequate centralized wastewater facilities. The following are recommendations to assist in future planning:

- Support organizing systems for urban and suburban growth and development, and coordinating wastewater service planning with providers at a regional level.
- Support establishment of regional system boundaries.
- Consider sewer hookups where service is available and extending service to those lots near to regional service.
- Support consistent application of regional hook-up requirements in unincorporated areas of the County.
- Support tie-in of Mohave Valley systems to FMTUA, Arizona-American Water Co., or other regional systems.



MOHAVE COUNTY



- *** FUTURE SERVICE AREA
- IMMEDIATE SERVICE AREA
- FUTURE TREATMENT CENTERS



Stantec



MOHAVE COUNTY
SECTION 208 PLAN

Figure No. 14

TITLE: SCENIC IMPROVEMENT
DISTRICT

Project Number: 81370066

PRELIMINARY DESIGN REPORT

SUNRISE UTILITIES WATER SYSTEM, SCENIC, AZ

The Sunrise Utilities Water Company was created, and is to be funded, owned, operated and maintained by a group of real estate investors/developers who have been active in the Scenic, Arizona, area for the past ten years or more. During this time the group has acquired property and water rights; and has drilled, cased and capped over ten potable water wells in the Scenic area in anticipation of the development which would be brought to the area through the construction of a new bridge across the Virgin River and a new paved road into Scenic, heretofore only accessible by dirt roads and jeep trails. With the completion of the new bridge and road two years ago, the Sunrise Utilities group formulated plans, in conjunction with Mohave County's Master Plan for urban development in the area, for new community water and wastewater systems (see enclosed service area maps) to service at least four new residential subdivisions planned along both sides of the new road, Scenic Boulevard. It is anticipated that approximately 460 new single-family residences will be constructed along Scenic Boulevard in the next three to five years.

The first phase of these new community utilities will consist of a 150,000 gallon per day (GPD) wastewater treatment plant and a new 150,000 GPD water plant with well, storage and pumping capacity to handle the culinary water needs of 600 new homes including a 30,000 gal. (min.) emergency fire reserve. The Phase I water plant will be expanded to an ultimate capacity of 300,000 GPD, with 60,000 gal. minimum fire reserve, through well/pump modifications and additional storage/pumping capacity. Beyond this expansion, an additional pumping/storage site, supplied by two or more of the existing Sunrise Utilities wells, and tied into the existing Phase I water distribution system, will be provided.

During September, 2003, testing was performed on both wells by Evans Drilling, Beaver Dam, Arizona, with representatives of TEC Engineering Inc., Mesquite, Nevada, the authors of this report and designers of the water system, inspecting well construction, witnessing drawdown testing and obtaining water samples for analysis. The following data is representative of both existing wells to be utilized in the Phase I water system:

Well location: NE1/4 SW1/4 Section 11, Township 39N, Range 16W, Scenic,
Mohave County, AZ

Well depth: 286 ft.

Static Water Level: 224.5 ft.

Pump depth: 265 ft.

Casing size: 10 in.

Casing perforations: 240 ft. to 280 ft.

| <u>Gallons/Min/Pumped (GPM)</u> | <u>Water Level (ft.)</u> | <u>Drawdown (ft.)</u> |
|---------------------------------|--------------------------|-----------------------|
| 50 | 233 | 8.5 |
| 100 | 240 | 15.5 |
| 125 | 243 | 18.5 |
| 150 | 249 | 24.5 |

Based on this data, well pumping and piping will be sized to provide an output of 105 GPM from each well; each well pump alternating operation for a maximum runtime of 12 hours per day per pump. For Phase 2 operation well pumping capacity will be increased to 210 GPM per well, if drawdown permits, otherwise pumping capacity will be increased to 150 GPM from each well and simultaneous well pump operation, for periods up to eight hours, will be required.

Initial water quality samples taken from both wells were analyzed by NEL Laboratories, Las Vegas, Nevada, for maximum contaminant levels (MCL). As NEL's enclosed report indicates, MCL's from both wells preclude the need for filtration, softening, defluoridation, iron/manganese removal or disinfection at the storage/pumping site.

LEGEND

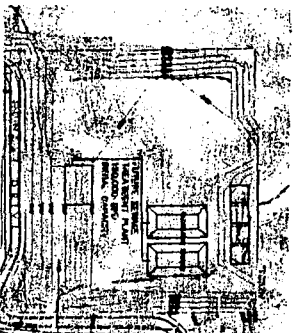
11 SECTION NUMBER

PROMOTED SAILWAY STREET

RAIL SERVICE AREA BOUNDARY

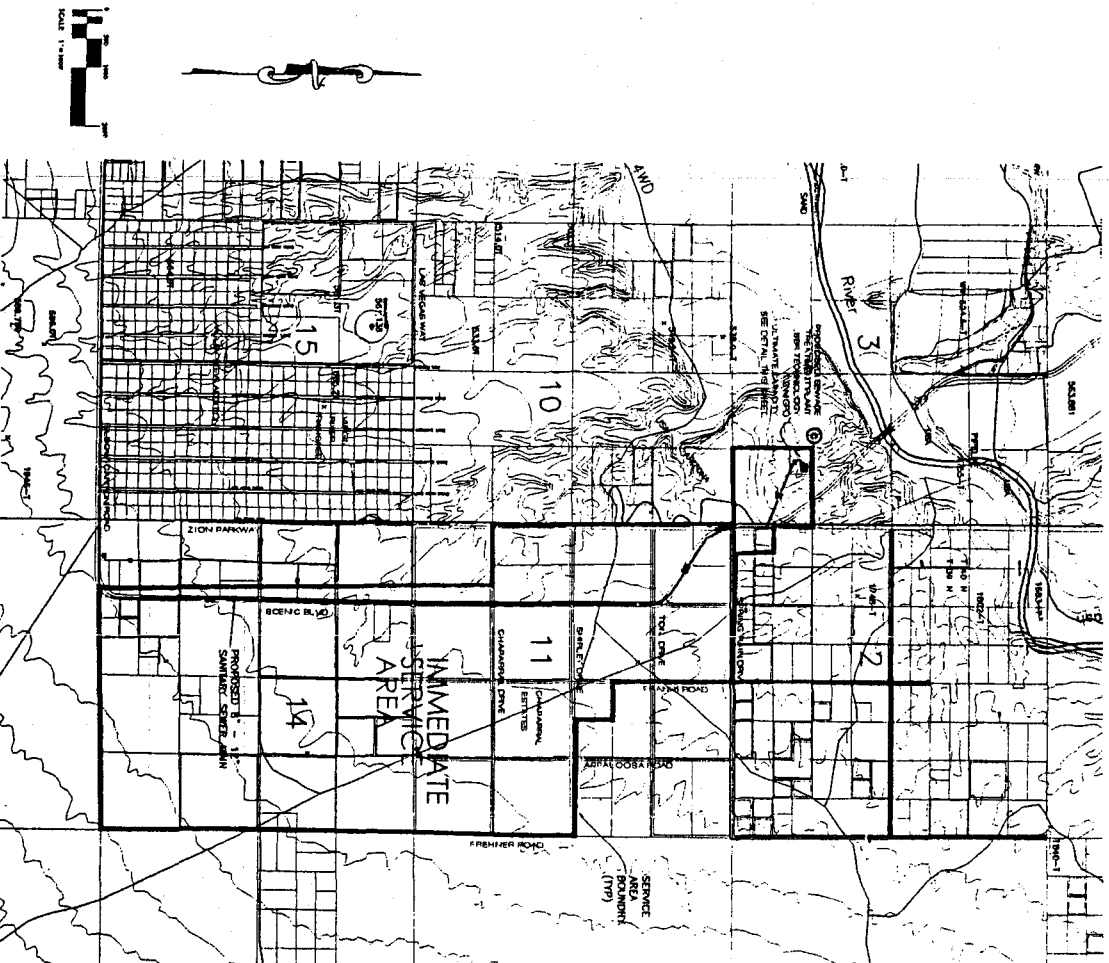
NEW COLUMBIA ROAD LINE

NEW COLUMBIA LINE

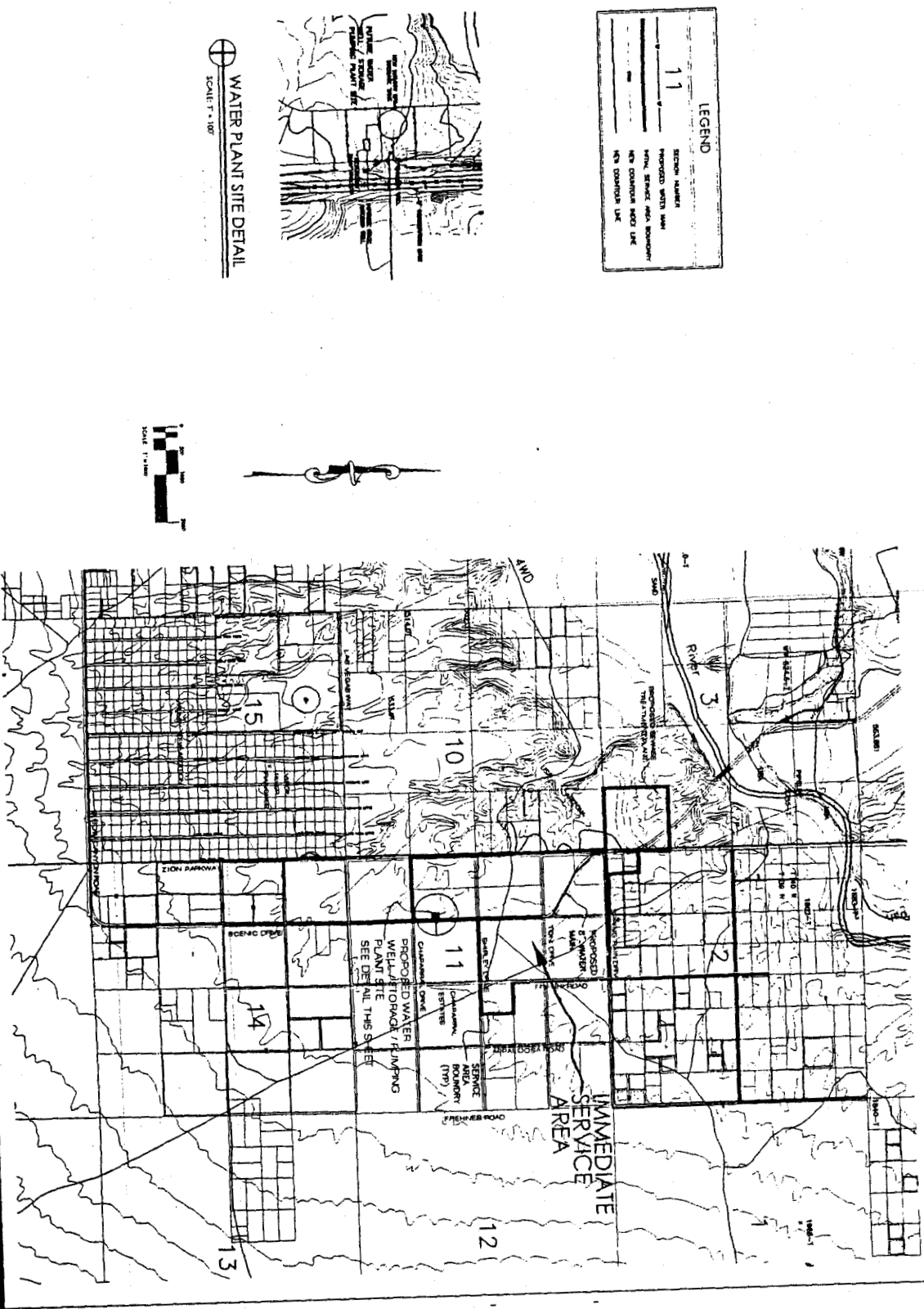


STP SITE DETAIL

SCALE: 1" = 100'



SCENIC AREA PROPOSED WATER DISTRICT SERVICE MAP



NEL LABORATORIES



Corporate Headquarters
6490 S. McCarran Blvd. # D-30
Reno, NV 89509
Phone: 775.348.2522
Fax: 775.348.2546

Las Vegas Laboratory
4208 Arcata Way, Suite A
Las Vegas, NV 89030
Phone: 702.657.1010
Fax: 702.657.1577

George Ciminskas
TEC Engineering Inc.
450 Hillside Dr.
Mesquite, NV 89027

TEL: 702-346-2280
FAX: 702-346-3580

RE Project: **Scenic Az Water Systems**

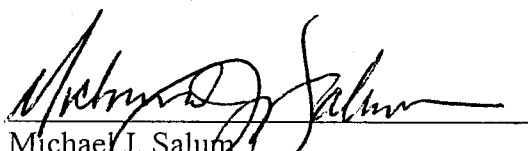
Order No.: **L0309068**

Dear George Ciminskas:

NEL Laboratories, Las Vegas received 2 samples on 9/5/03 10:15:00 AM for the analyses presented in the following report.

There were no problems with the analyses and all data for associated QC met EPA or laboratory specifications unless noted in the Case Narrative.

If you have any questions regarding these tests results, please feel free to call.


Michael J. Salun
Laboratory Director


Date

Certifications:

| | |
|------------|--------|
| Arizona | AZ0518 |
| California | 2002 |
| Nevada | NV052 |

Albuquerque
866.360.5726

Boise
800.200.2952

Las Vegas
888.368.3282

Phoenix
888.238.2514

Reno
800.368.5221

Sacramento
800.368.5221

NEL Laboratories, Las Vegas

Date: 17-Sep-03

CLIENT: TEC Engineering Inc.
Lab Order: L0309068
Project: Scenic Az Water Systems
Lab ID: L0309068-001

Client Sample ID: Scenic Az Well #1
Collection Date: 9/4/03 7:00:00 PM

Matrix: DRINKING WATER

| Analyses | Result | Limit | Qual | Units | DF | Date Analyzed |
|--|------------------|---------|------|----------|-----|---------------------|
| TOTAL COLIFORMS IN DRINKING WATER | | | | | | |
| | M9223 B | | | | | |
| Total Coliforms | Present | | | P/A | 1 | 9/5/03 |
| Escherichia coli (E.coli) | Absent | | | P/A | 1 | 9/5/03 |
| TOTAL METALS BY EPA 200.7 (ICP/OES) | | | | | | |
| | E200.7 | | | | | |
| Copper | ND | 0.00400 | | mg/L | 1 | 9/12/03 3:48:00 PM |
| Iron | 0.744 | 0.100 | | mg/L | 1 | 9/12/03 3:48:00 PM |
| Magnesium | 24.8 | 0.500 | | mg/L | 1 | 9/12/03 3:48:00 PM |
| Manganese | 0.0346 | 0.00500 | | mg/L | 1 | 9/12/03 3:48:00 PM |
| Sodium | 70.6 | 0.250 | | mg/L | 1 | 9/16/03 10:49:00 AM |
| Zinc | ND | 0.100 | | mg/L | 1 | 9/12/03 3:48:00 PM |
| TOTAL METALS BY EPA 200.8 (ICP/MS) | | | | | | |
| | E200.8 | | | | | |
| Arsenic | 0.0121 | 0.00100 | | mg/L | 1 | 9/15/03 3:36:12 PM |
| Lead | ND | 0.00100 | | mg/L | 1 | 9/15/03 3:36:12 PM |
| ANIONS BY ION CHROMATOGRAPHY | | | | | | |
| | E300 | | | | | |
| Chloride | 77 | 10 | | mg/L | 100 | 9/11/03 |
| Nitrate, as N | 1.7 | 0.50 | | mg/L | 5 | 9/5/03 |
| Sulfate | 100 | 10 | | mg/L | 100 | 9/11/03 |
| FLUORIDE | | | | | | |
| | M4500-F C | | | | | |
| Fluoride | 2.0 | 0.40 | | mg/L | 1 | 9/12/03 |
| PH | | | | | | |
| | E150.1 | | | | | |
| pH | 7.94 | 1.00 | | pH units | 1 | 9/5/03 |
| TOTAL DISSOLVED SOLIDS | | | | | | |
| | M2540 C | | | | | |
| Total Dissolved Solids | 368 | 15.0 | | mg/L | 1 | 9/8/03 |

Qualifiers: ND - Not Detected at the Reporting Limit
J - Analyte detected below quantitation limits
B - Analyte detected in the associated Method Blank
* - Value exceeds Maximum Contaminant Level

S - Spike Recovery outside accepted recovery limits
R - RPD outside accepted recovery limits
E - Value above quantitation range

NEL Laboratories, Las Vegas

Date: 17-Sep-03

CLIENT: TEC Engineering Inc.
Lab Order: L0309068
Project: Scenic Az Water Systems
Lab ID: L0309068-002

Client Sample ID: Scenic Az Well #2
Collection Date: 9/4/03 7:00:00 PM

Matrix: DRINKING WATER

| Analyses | Result | Limit | Qual | Units | DF | Date Analyzed |
|--|---------|------------------|------|----------|-----|---------------------|
| TOTAL COLIFORMS IN DRINKING WATER | | | | | | |
| | | M9223 B | | | | Analyst: PJJ-L |
| Total Coliforms | Present | | | P/A | 1 | 9/5/03 |
| Escherichia coli (E.coli) | Absent | | | P/A | 1 | 9/5/03 |
| TOTAL METALS BY EPA 200.7 (ICP/OES) | | | | | | |
| | | E200.7 | | | | Analyst: VVG-L |
| Copper | ND | 0.00400 | | mg/L | 1 | 9/12/03 3:52:00 PM |
| Iron | 0.658 | 0.100 | | mg/L | 1 | 9/12/03 3:52:00 PM |
| Magnesium | 24.2 | 0.500 | | mg/L | 1 | 9/12/03 3:52:00 PM |
| Manganese | 0.0328 | 0.00500 | | mg/L | 1 | 9/12/03 3:52:00 PM |
| Sodium | 68.9 | 0.250 | | mg/L | 1 | 9/16/03 10:53:00 AM |
| Zinc | ND | 0.100 | | mg/L | 1 | 9/12/03 3:52:00 PM |
| TOTAL METALS BY EPA 200.8 (ICP/MS) | | | | | | |
| | | E200.8 | | | | Analyst: KEH-L |
| Arsenic | 0.0116 | 0.00100 | | mg/L | 1 | 9/15/03 3:53:58 PM |
| Lead | ND | 0.00100 | | mg/L | 1 | 9/15/03 3:53:58 PM |
| ANIONS BY ION CHROMATOGRAPHY | | | | | | |
| | | E300 | | | | Analyst: RDA-L |
| Chloride | 86 | 10 | | mg/L | 100 | 9/11/03 |
| Nitrate, as N | 1.7 | 0.50 | | mg/L | 5 | 9/5/03 |
| Sulfate | 110 | 10 | | mg/L | 100 | 9/11/03 |
| FLUORIDE | | | | | | |
| | | M4500-F C | | | | Analyst: RDA-L |
| Fluoride | 2.2 | 0.40 | | mg/L | 1 | 9/12/03 |
| PH | | | | | | |
| | | E150.1 | | | | Analyst: PJJ-L |
| pH | 7.95 | 1.00 | | pH units | 1 | 9/5/03 |
| TOTAL DISSOLVED SOLIDS | | | | | | |
| | | M2540 C | | | | Analyst: JTM-L |
| Total Dissolved Solids | 375 | 15.0 | | mg/L | 1 | 9/8/03 |

Qualifiers: ND - Not Detected at the Reporting Limit
J - Analyte detected below quantitation limits
B - Analyte detected in the associated Method Blank
* - Value exceeds Maximum Contaminant Level

S - Spike Recovery outside accepted recovery limits
R - RPD outside accepted recovery limits
E - Value above quantitation range

NEL Laboratories, Las Vegas

Date: 15-Sep-03

CLIENT: TEC Engineering Inc.
Project: Scenic AZ Public Water Systems

Lab Order: L0309134

Lab ID: L0309134-001

Collection Date: 9/10/03 7:10:00 AM

Client Sample ID: Well #1 Scenic

Matrix: DRINKING WATER

| Analyses | Result | Limit | Qual | Units | DF | Date Analyzed |
|--|--------|----------------|------|-------|----|-----------------|
| TOTAL COLIFORMS IN DRINKING WATER | | M9223 B | | | | Analyst: PJJ-LV |
| Total Coliforms | Absent | | | P/A | 1 | 9/10/03 |
| Escherichia coli (E.coli) | Absent | | | P/A | 1 | 9/10/03 |

Lab ID: L0309134-002

Collection Date: 9/10/03 7:15:00 AM

Client Sample ID: Well #2 Scenic

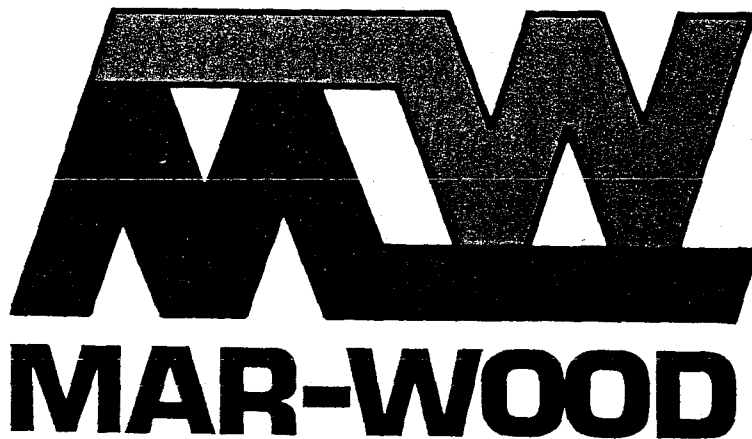
Matrix: DRINKING WATER

| Analyses | Result | Limit | Qual | Units | DF | Date Analyzed |
|--|--------|----------------|------|-------|----|-----------------|
| TOTAL COLIFORMS IN DRINKING WATER | | M9223 B | | | | Analyst: PJJ-LV |
| Total Coliforms | Absent | | | P/A | 1 | 9/10/03 |
| Escherichia coli (E.coli) | Absent | | | P/A | 1 | 9/10/03 |

Qualifiers: ND - Not Detected at the Reporting Limit
J - Analyte detected below quantitation limits
B - Analyte detected in the associated Method Blank
* - Value exceeds Maximum Contaminant Level

S - Spike Recovery outside accepted recovery limits
R - RPD outside accepted recovery limits
E - Value above quantitation range

SUBMITTAL DATA
SCENIC, ARIZONA AREA
WASTEWATER TREATMENT PLANT
MESQUITE, MOHAVE COUNTY, ARIZONA
MODEL 1-8-150 DN

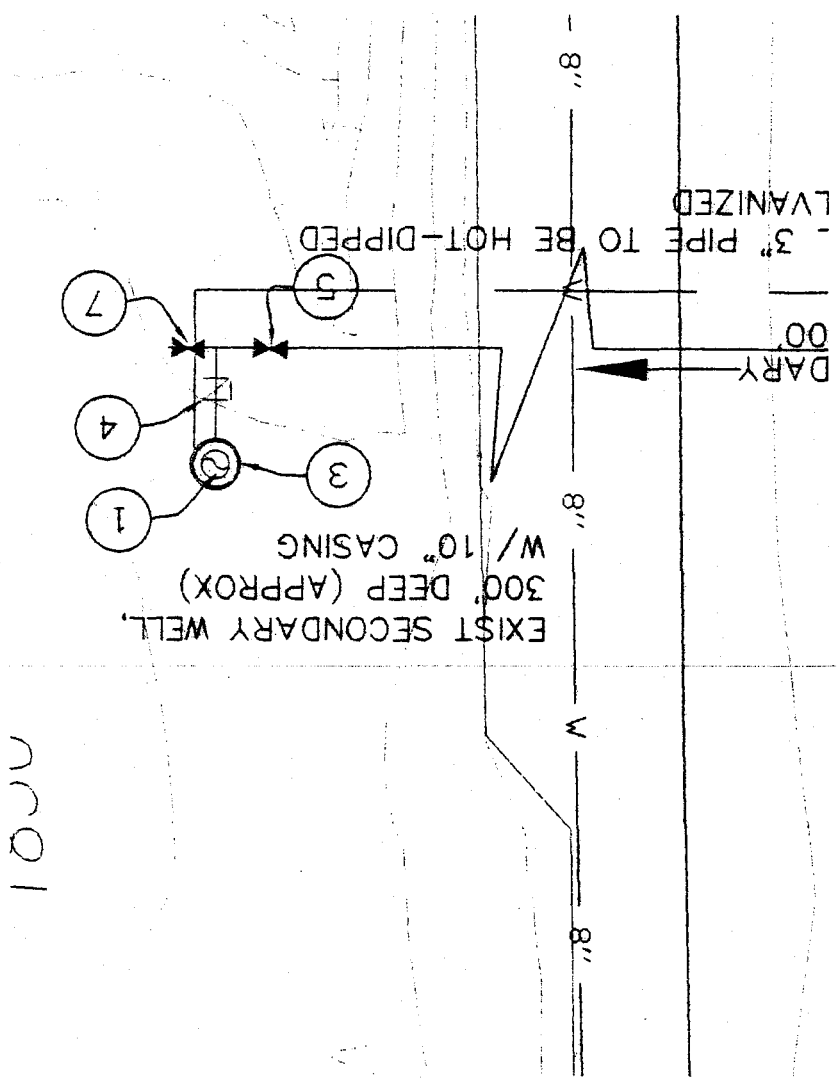


WASTEWATER TREATMENT PLANTS
WATER STORAGE TANKS
LIFT STATIONS

Item 5

LEGEND

| | |
|---------|--------------------------|
| —v— | EXISTING CONTOURS |
| —8"— | 8" DISTRIBUTION LINE |
| —6"— | 6" SUPPLY LINE |
| —o—o—o— | PERIMETER SECURITY FENCE |



001

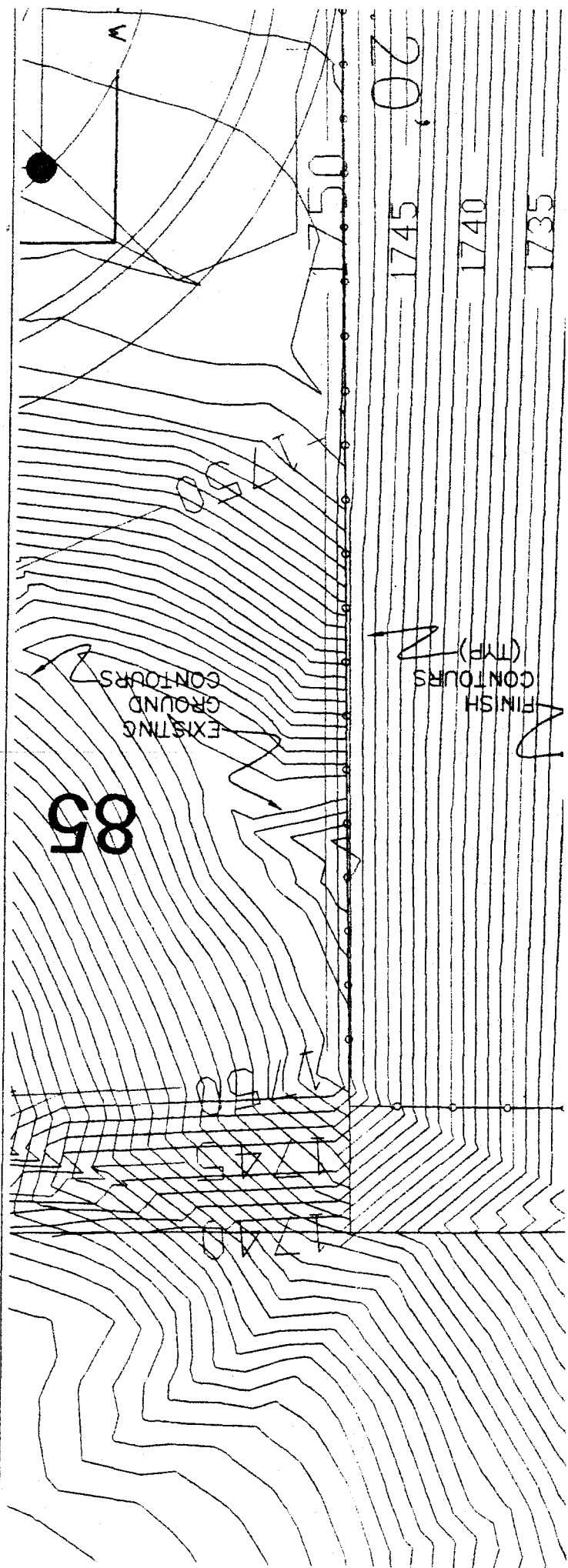
PROJECT:

PROPOSED WATER SYSTEM SUNRISE UTILITIES PHASE I

SCENIC, ARIZONA

LEC
ENGINEERING INC.

P.O. Box 3630
Mesquite, Nevada 89024
(702) 346-2280

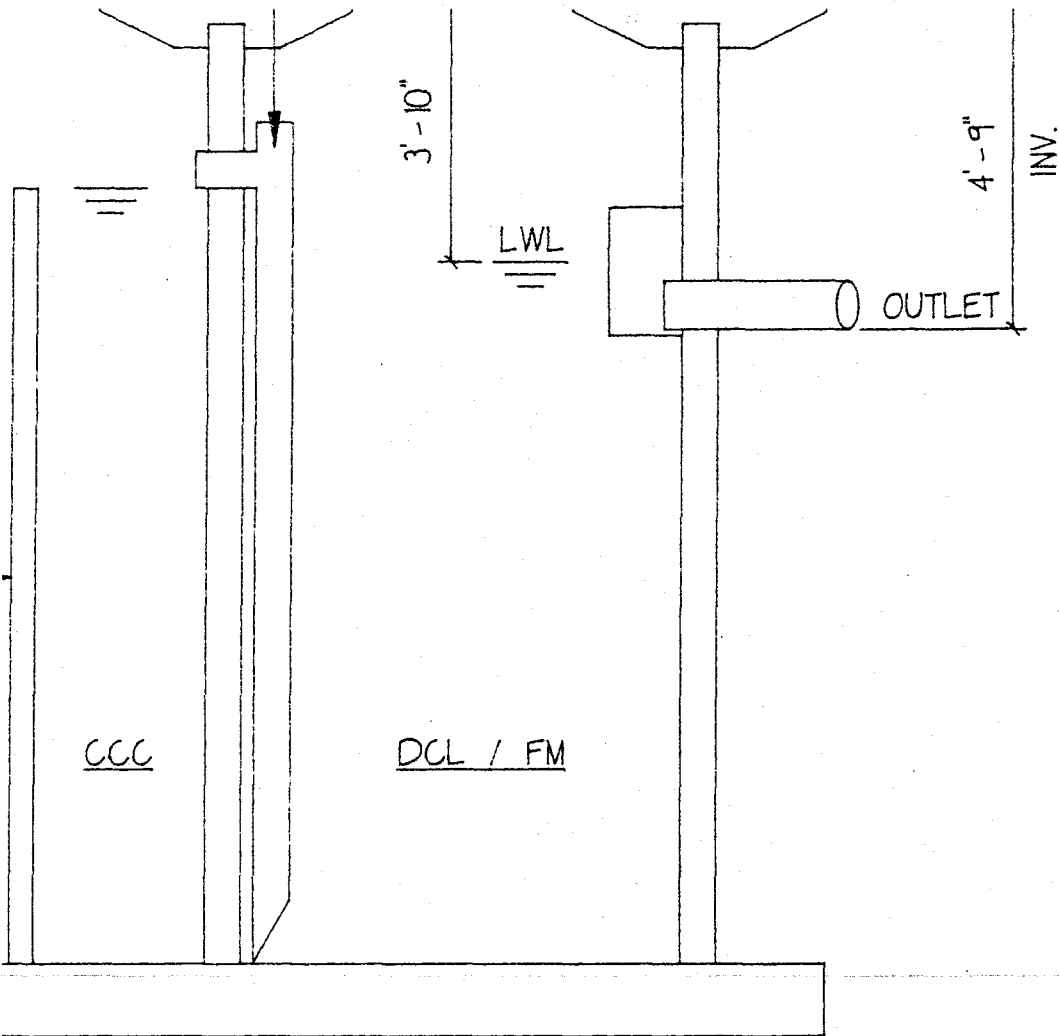


PROPOSED WASTEWATER TREATMENT SYSTEM SUNRISE UTILITIES PHASE I SCENIC, ARIZONA

PROJECT:

P.O. Box 3630
Mesquite, Nevada 89024
(702) 346-2280





PRELIMINARY



W. W. WOOD
Tucson, Arizona

FLOW DIAGRAM + HYDRAULIC PROFILE

SCENIC AREA

SCENIC, MOHAVE CO., AZ. JOB NO. 03-250

| date | by | scale | checked | sht. | of | drawing No. |
|---------|------|-------|---------|------|----|-------------|
| 8/19/03 | S.D. | NONE | | 1 | 5 | 250-1 |

SUNRISE UTILITIES, L.L.C.
ENGINEER'S OPINION OF PROBABLE COSTS (WATER)

| Item Description | Quantity | Unit | Unit Price | Sub-total | Contingencies 5% | Total |
|-------------------------------------|----------|------|--------------|--------------|---------------------|--------------|
| BACKBONE FACILITIES | | | | | | |
| Water Pipe 8" PVC | 1420 | lf | \$16.70 | \$23,714.00 | \$1,185.70 | \$24,899.70 |
| Water Pipe 8" PVC | 325 | lf | \$18.45 | \$5,996.25 | \$299.81 | \$6,296.06 |
| Flowtronix Pump | 2 | ls | \$50,000.00 | \$100,000.00 | \$5,000.00 | \$105,000.00 |
| Emerg. Power Generation Equip. | 1 | ls | \$45,000.00 | \$45,000.00 | \$2,250.00 | \$47,250.00 |
| Fencing / Gate | 1380 | lf | \$12.00 | \$16,560.00 | \$828.00 | \$17,388.00 |
| 150,000 Gallon Tank | 2 | ea | \$175,000.00 | \$350,000.00 | \$17,500.00 | \$367,500.00 |
| Storage Tank Foundation | 2 | ea | \$5,000.00 | \$10,000.00 | \$500.00 | \$10,500.00 |
| Site Prep / Grading / Gravel | 1 | ea | \$5,000.00 | \$5,000.00 | \$250.00 | \$5,250.00 |
| Well Pump / Appurtenances | 2 | ea | \$12,500.00 | \$25,000.00 | \$1,250.00 | \$26,250.00 |
| Well Electric Panel / Pump Controls | 1 | ls | \$10,000.00 | \$10,000.00 | \$500.00 | \$10,500.00 |
| Well Piping / Appurtenances | 2 | ea | \$5,000.00 | \$10,000.00 | \$500.00 | \$10,500.00 |
| Electricity to Well / Storage Site | 1 | ea | \$20,000.00 | \$20,000.00 | \$1,000.00 | \$21,000.00 |
| Emergency Water Treatment Equip. | 1 | ea | \$5,000.00 | \$5,000.00 | \$250.00 | \$5,250.00 |
| Laboratory Equipment | 1 | ea | \$4,000.00 | \$4,000.00 | \$200.00 | \$4,200.00 |
| TOTAL BACKBONE FACILITIES | | | | \$630,270.25 | \$31,513.51 | \$661,783.76 |

SUNRISE UTILITIES, L.L.C.

ENGINEER'S ESTIMATE OF CONSTRUCTION COSTS (WASTEWATER)

| Item Description | Quantity | Unit | Unit Price | Sub-total | Contingencies 5% | Total |
|------------------------------------|----------|------|--------------|---------------------|---------------------|---------------------|
| BACKBONE FACILITIES | | | | | | |
| Plant (150,000 GPD) | 1 | ls | \$300,000.00 | \$300,000.00 | \$15,000.00 | \$315,000.00 |
| Perimeter Fence / Gates | 1900 | lf | \$12.00 | \$22,800.00 | \$1,140.00 | \$23,940.00 |
| Site Grading / Access Roads | 1 | ls | \$75,000.00 | \$75,000.00 | \$3,750.00 | \$78,750.00 |
| Evaporative Lagoons / | 6 | ea | \$12,500.00 | \$75,000.00 | \$3,750.00 | \$78,750.00 |
| Rapid Infiltration Basins | | | | | | |
| Power to Site | 1 | ls | \$20,000.00 | \$20,000.00 | \$1,000.00 | \$21,000.00 |
| Reinforced Concrete Pads (STP) | 1 | ls | \$50,000.00 | \$50,000.00 | \$2,500.00 | \$52,500.00 |
| Headworks / Barscreen / | 1 | ls | \$20,000.00 | \$20,000.00 | \$1,000.00 | \$21,000.00 |
| Washdown Equip. / Misc. | | | | | | |
| Emergency Generator | 1 | ea | \$40,000.00 | \$40,000.00 | \$2,000.00 | \$42,000.00 |
| Flow Measuring / Recording Devices | 1 | ea | \$10,000.00 | \$10,000.00 | \$500.00 | \$10,500.00 |
| 8" PVC Sanitary Sewer Pipe | 200 | lf | \$12.00 | \$2,400.00 | \$120.00 | \$2,520.00 |
| 10" PVC Sanitary Sewer Pipe | 305 | lf | \$18.00 | \$5,490.00 | \$274.50 | \$5,764.50 |
| 12" PVC Sanitary Sewer Pipe | 255 | lf | \$24.00 | \$6,120.00 | \$306.00 | \$6,426.00 |
| 8" D.I.P. Sanitary Sewer Pipe | 120 | lf | \$18.00 | \$2,160.00 | \$108.00 | \$2,268.00 |
| Plant Valving / Dist Boxes | 4 | ea | \$1,200.00 | \$4,800.00 | \$240.00 | \$5,040.00 |
| Effluent Manhole | 3 | ea | \$800.00 | \$2,400.00 | \$120.00 | \$2,520.00 |
| Sewer Manholes (48") | 1 | ea | \$2,000.00 | \$2,000.00 | \$100.00 | \$2,100.00 |
| Other Plant / Misc. Equipment | 1 | ea | \$10,000.00 | \$10,000.00 | \$500.00 | \$10,500.00 |
| Laboratory Equipment | 1 | ea | \$5,000.00 | \$5,000.00 | \$250.00 | \$5,250.00 |
| Drainage Channels | 1025 | lf | \$5.50 | \$5,637.50 | \$281.88 | \$5,919.38 |
| TOTAL BACKBONE FACILITIES | | | | \$658,807.50 | \$32,940.38 | \$691,747.88 |

SUNRISE UTILITIES, L.L.C.
WATER FACILITIES CONSTRUCTION BUBGET

| Item | Committed Units | Cost per Unit | Cost Est. Feb-04 | Company Funded | Developer Funded |
|---|--------------------|------------------|---------------------|-------------------|---------------------|
| WATER PLANT | | | | | |
| YEAR ONE | | | | | |
| COMMON FACILITIES | | | \$444,100 | \$444,100 | |
| ON-SITE FACILITIES | 100 | \$2,463 | \$246,330 | | \$246,330 |
| YEAR ONE TOTAL | | | \$690,430 | \$444,100 | \$246,330 |
| YEAR TWO | | | | | |
| COMMON FACILITIES | | | \$450,000 | \$450,000 | |
| ON-SITE FACILITIES | 125 | \$1,500 | \$187,500 | | \$187,500 |
| YEAR TWO TOTAL | | | \$637,500 | \$450,000 | \$187,500 |
| YEAR THREE | | | | | |
| COMMON FACILITIES | | | \$0 | \$0 | |
| ON-SITE FACILITIES | 125 | \$1,750 | \$218,750 | | \$218,750 |
| YEAR THREE TOTAL | | | \$218,750 | \$0 | \$218,750 |
| YEAR FOUR | | | | | |
| COMMON FACILITIES | | | | | |
| ON-SITE FACILITIES | 125 | \$1,750 | \$218,750 | | \$218,750 |
| YEAR FOUR TOTAL | | | \$218,750 | \$0 | \$218,750 |
| YEAR FIVE | | | | | |
| COMMON FACILITIES | | | \$450,000 | \$450,000 | |
| ON-SITE FACILITIES | 125 | \$2,000 | \$250,000 | | \$250,000 |
| YEAR FIVE TOTAL | | | \$700,000 | \$450,000 | \$250,000 |
| TOTAL WATER FACILITIES | 600 | | \$2,465,430 | \$1,344,100 | \$1,121,330 |
| Equivalent Units Served | | | | 600 | |
| Cost per Equilivent Unit | | | | \$2,240 | |
| Development Fee per Equivalent Unit | | | | \$1,500 | |
| Percent of Common Facilities Total Cost | | | | 66.96% | |

SUNRISE UTILITIES, L.L.C.

WASTEWATER FACILITIES CONSTRUCTION BUBGET

| Item | Committed Units | Cost per Unit | Cost Est. Feb-04 | Company Funded | Developer Funded |
|---|--------------------|------------------|---------------------|---|---------------------|
| WASTEWATER PLANT | | | | | |
| YEAR ONE | | | | | |
| COMMON FACILITIES | | | \$1,043,950 | \$1,043,950 | |
| ON-SITE FACILITIES | 100 | \$604 | \$60,375 | | \$60,375 |
| YEAR ONE TOTAL | | | <u>\$1,104,325</u> | <u>\$1,043,950</u> | <u>\$60,375</u> |
| YEAR TWO | | | | | |
| COMMON FACILITIES | | | | | |
| ON-SITE FACILITIES | 125 | \$1,200 | \$150,000 | | \$150,000 |
| YEAR TWO TOTAL | | | <u>\$150,000</u> | <u>\$0</u> | <u>\$150,000</u> |
| YEAR THREE | | | | | |
| COMMON FACILITIES | | | | \$0 | |
| ON-SITE FACILITIES | 125 | \$1,200 | \$150,000 | | \$150,000 |
| YEAR THREE TOTAL | | | <u>\$150,000</u> | <u>\$0</u> | <u>\$150,000</u> |
| YEAR FOUR | | | | | |
| COMMON FACILITIES | | | | | |
| ON-SITE FACILITIES | 125 | \$1,500 | \$187,500 | | \$187,500 |
| YEAR FOUR TOTAL | | | <u>\$187,500</u> | <u>\$0</u> | <u>\$187,500</u> |
| YEAR FIVE | | | | | |
| COMMON FACILITIES | | | \$450,000 | \$450,000 | |
| ON-SITE FACILITIES | 125 | \$1,500 | \$187,500 | | \$187,500 |
| YEAR FIVE TOTAL | | | <u>\$637,500</u> | <u>\$450,000</u> | <u>\$187,500</u> |
| TOTAL WASTEWATER FACILITIES | <u>600</u> | | <u>\$2,229,325</u> | <u>\$1,493,950</u> | <u>\$735,375</u> |
| Equilient Units Served | | | | 600 | |
| Cost per Equilient Unit | | | | \$2,490 | |
| Development Fee per Equivalent Unit | | | | \$1,750 | |
| Percent of Common Facilities Total Cost | | | | 70.28% | |

C

ARIZONA CORPORATION COMMISSION

APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY

WATER AND/OR SEWER

A. The name, address and telephone number of the Applicant (Company) is:

Sunrise Utilities, L.L.C.
2960 S. Scenic Boulevard
Littlefield, Arizona 86432
(702) 346-2280

B. If doing business (d.b.a.) under a name other than the Applicant (Company) name listed above, specify:

N/A

C. List the name, address and telephone number of the management contact:

Steve Timinskas
2960 S. Scenic Boulevard
Littlefield, Arizona 86432
(702) 346-2280

D. List the name, address and telephone number of the attorney for the Applicant:

Richard L. Sallquist, Esq.
Sallquist & Drummond, P.C.
2525 E. Arizona Biltmore Cr., Suite 117
Phoenix, Arizona 85016

E. List the name, address and telephone number of the operator certified by the Arizona Department of Environmental Quality:

Water- Steve Timiniskas (pending)
2960 S. Scenic Boulevard
Littlefield, Arizona 86432
(702) 346-2280

Wastewater- George Timiniskas (pending)
2960 S. Scenic Boulevard
Littlefield, Arizona 86432
(702) 346-2280

TAB C

F. List the name, address and telephone number of the on-site manager of the utility:

G. The Applicant is a:

| | |
|--|--|
| <input type="checkbox"/> Corporation: <input type="checkbox"/> "C", <input type="checkbox"/> "S", <input type="checkbox"/> Non-Profit <input type="checkbox"/> Arizona, <input type="checkbox"/> Foreign | <input type="checkbox"/> Partnership <input type="checkbox"/> Limited, <input type="checkbox"/> General <input type="checkbox"/> Arizona, <input type="checkbox"/> Foreign |
| <input type="checkbox"/> Sole Proprietorship | <input checked="" type="checkbox"/> Limited Liability Company (LLC) |
| <input type="checkbox"/> Other (Specify) | |

H. If Applicant is a corporation: N/A

1. List names of Officers and Directors:

Officers

Directors

| | |
|-------|-------|
| <hr/> | <hr/> |
| <hr/> | <hr/> |
| <hr/> | <hr/> |
| <hr/> | <hr/> |

2. Attach a copy of the corporation's "Certificate of Good Standing" issued by the Corporation's Division of the Arizona Corporation Commission.

3. Attach a copy of the Articles of Incorporation.

4. Attach a copy of the corporation's By-Laws.

5. If a for-profit corporation, indicate the number of shares of stock authorized for issue:

6. If stock has been issued, indicate the number of shares issued and date of issue:

I. If the Applicant is a partnership: **N/A**

1. List the names of the general partners:

2. List the name, address and telephone number of the managing partners:

3. Attach a copy of the Partnership's Articles of Partnership.

- If the Applicant is a foreign limited partnership, provide a copy of the Partnership's "Certificate of Registration" filed with the Arizona Secretary of State.

J. If the Applicant is a sole proprietor, list the name, address and telephone number of the proprietor:

N/A

K. If the Applicant is a Limited Liability Company:

1. List the names of managers:

George Timinkas
Kirk Lee

David Helbert
David Rall

L. List the names and addresses of any other public utility interest, which the applicant may have:

N/A

M. Attach a description of the area requested using **CADASTRAL** (quarter section description) or **Metes and Bounds** survey. References to parcels and dockets will not be accepted.

Please see Attachment 1 hereto.

N. Attach a detailed map using the form provided as Attachment "B". Shade and outline the area requested. Also, indicate any other utility within the general area using different colors.

Please see Attachment 2 hereto

O. Attach financial information in a format similar to Attachment "C".

Please see Attachment 3 hereto

P. Explain the method of financing utility facilities. Refer to the instructions, item no. 7. (Use additional sheets if necessary):

The Scenic Area facilities will be funded with a combination of Membership Capital, Hook-Up Fee Contributions and Line Extension Agreement Advances.

Q. Estimated starting and completion dates of construction of utility facilities:

Starting date **Upon ACC approval** Completion **120 days thereafter**

R. Attach proposed Tariffs using either the water or sewer format of Attachment "D", unless the Utilities Division, prior to the filing of this application, approves another form.

Please see Attachment 3 hereto.

S. Attach the following permits:

1. The franchise from either the City or County for the area requested.

To be filed as late filed Attachment 5.

2. The Arizona Department of Environmental Quality (or its designee's) approval to construct facilities.

To be filed as late filed Attachment 6.

3. The Arizona State Land Department approval. (If you are including any State land in your requested area this approval is needed.) **N/A**

4. Any U.S. Forest Service approval. (If you are including any U.S. Forest Service land in your requested area this approval is needed.) **N/A**

5. **(WATER ONLY)** If the area requested is within an Active Management Area, attach a copy of the utility's Designation of an Assured Water Supply, or the developer's Certificate of Assured Water Supply issued by the Arizona Department of Water Resources, whichever applies.

- If the area requested is outside an Active Management Area, attach the developer's Adequacy Statement issued by the Arizona Department of Water Resources, if applied for by the developer.

To be late filed as Attachment 7.

- If the area requested is outside an Active Management Area and the developer does not obtain an Adequacy Statement, provide sufficient detail to prove that adequate water exists to provide water to the area requested.

6. Provide a copy of your estimated property taxes. This may be obtained by contacting the Arizona Department of Revenue, Division of Property Valuation and Equalization. You must provide them with a five (5) year projection of the original cost of the plant, depreciation expense, the location of the property and the school district.

Please see Schedule 4 to Attachment 3.

T. Provide the following information: **Please see Attachment 3.**

1. Indicate the estimated number of customers, by class, to be served in each of the first five years of operation:

Residential:

First Year_____ Second Year_____ Third Year_____ Fourth Year_____

Fifth Year_____

Commercial:

First Year_____ Second Year_____ Third Year_____ Fourth Year_____

Fifth Year_____

Industrial:

First Year_____ Second Year_____ Third Year_____ Fourth Year_____

Fifth Year_____

Irrigation:

First Year_____ Second Year_____ Third Year_____ Fourth Year_____

Fifth Year_____

2. Indicate the projected annual water consumption or sewerage treatment, in gallons, for each of the customer classes for each of the first five years of operation:

Residential:

First Year_____ Second Year_____ Third Year_____ Fourth Year_____

Fifth Year_____

Commercial:

First Year_____ Second Year_____ Third Year_____ Fourth Year_____

Fifth Year_____

Industrial:

First Year_____ Second Year_____ Third Year_____ Fourth Year_____

Fifth Year_____

Irrigation:

First Year_____ Second Year_____ Third Year_____ Fourth Year_____

Fifth Year_____

3. Indicate the total estimated annual operating revenue for each of the first five years of operation:

Residential:

First Year_____ Second Year_____ Third Year_____

Fourth Year_____ Fifth Year_____

Commercial:

First Year_____ Second Year_____ Third Year_____

Fourth Year_____ Fifth Year_____

Industrial:

First Year_____ Second Year_____ Third Year_____

Fourth Year_____ Fifth Year_____

Irrigation:

First Year_____ Second Year_____ Third Year_____
Fourth Year_____ Fifth Year_____

4. Indicate the total estimated annual operating expenses for each of the first five years of operation:

Residential:

First Year_____ Second Year_____ Third Year_____
Fourth Year_____ Fifth Year_____

Commercial:

First Year_____ Second Year_____ Third Year_____
Fourth Year_____ Fifth Year_____

Industrial:

First Year_____ Second Year_____ Third Year_____
Fourth Year_____ Fifth Year_____

Irrigation:

First Year_____ Second Year_____ Third Year_____
Fourth Year_____ Fifth Year_____

5. Attach an itemized list of the major components of the water or sewer system (see Attachment C-3).
Please see Attachment 3, Schedules 8 and 9.

6. Indicate the total estimated cost to construct utility facilities:

Please see Attachment 3, Schedules 8 and 9.

- U. The form of notice to be published as notice to the over 100 property owners within the proposed service area is attached as Attachment 8 hereto. An Affidavit of Publication will be late filed upon completion.**

Dated this 16th day of August, 2004.

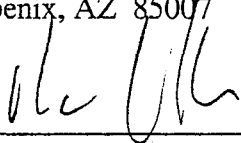
SALLQUIST & DRUMMOND, P.C.

By: 

Richard L. Sallquist
SALLQUIST & DRUMMOND, P.C.
2525 E. Arizona Biltmore Circle, Suite 117
Phoenix, AZ 85016
Attorneys for Sunrise Utilities, L.L.C.

The original and fifteen copies of
the foregoing were filed this 16th
day of March, 2004:

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007



ATTACHMENTS

1. Legal Description for Requested Water Area and Sewer Area
2. Maps of Requested Water Area and Sewer Area
3. Pro forma Financial Statements
4. Proposed Tariff
5. Mohave County Franchise (late filed)
6. ADEQ Approval to Construct (late filed)
7. ADWR Adequacy Statement (late filed)
8. Notice to Property Owners

1

SUNRISE UTILITIES, L.L.C.
Certificate of Convenience and Necessity Application
Docket No. _____

DELETION AREA

Section 3 of 16W 39N

| | |
|------------|-----|
| S/2 of S/2 | 160 |
|------------|-----|

REQUESTED AREA

Water Area

| | | |
|------------|------------------|-----------|
| Section 2 | All | 640 |
| Section 3 | (As Deleted) | 320 |
| Section 10 | All | 640 |
| Section 11 | N2 NW4 of SW4 | 320 40 |

Sewer Area

| | | |
|------------|--------------|-----|
| Section 2 | All | 640 |
| Section 3 | (As Deleted) | 320 |
| Section 10 | All | 640 |
| Section 11 | All | 640 |
| Section 14 | All | 640 |

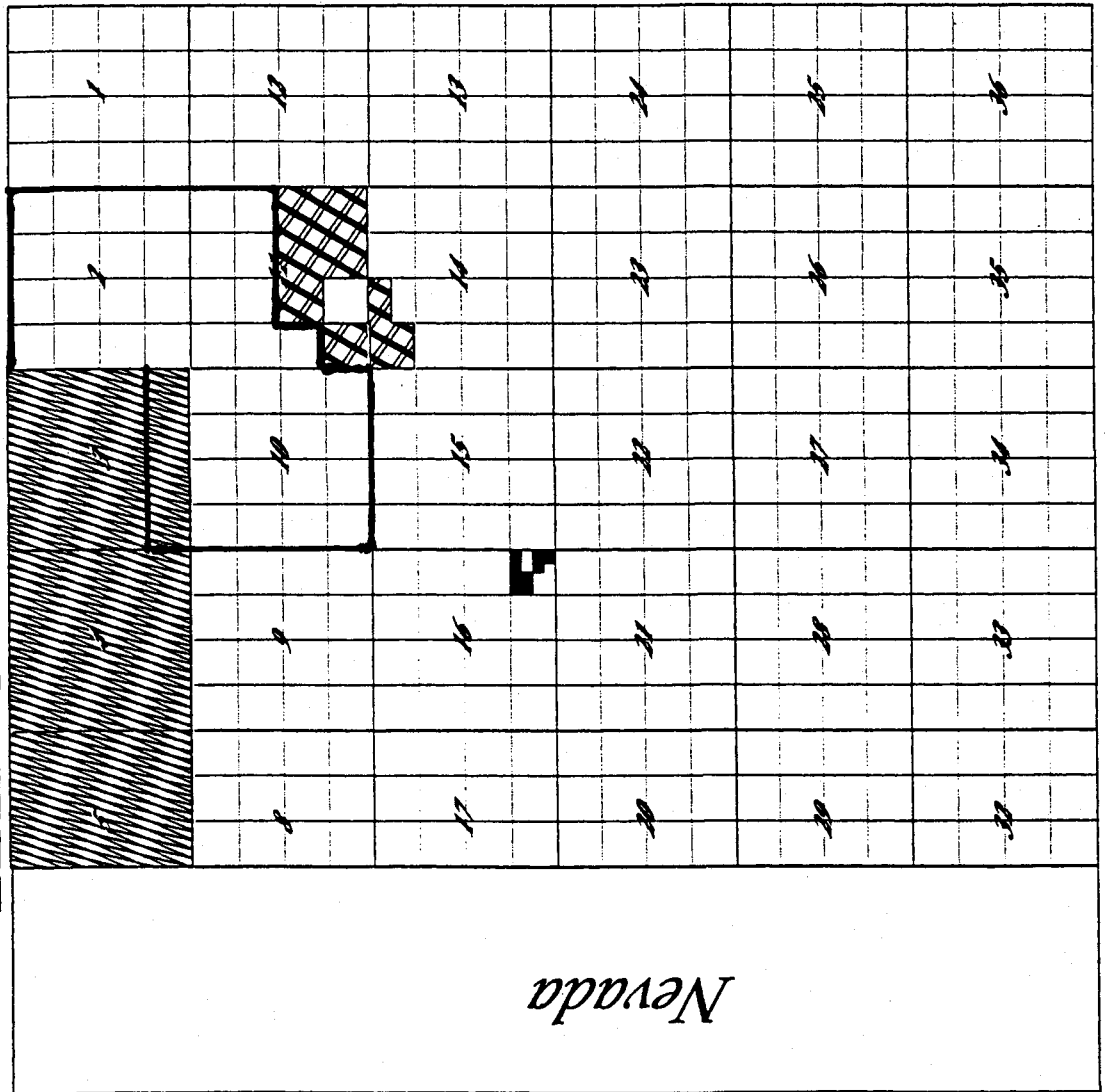
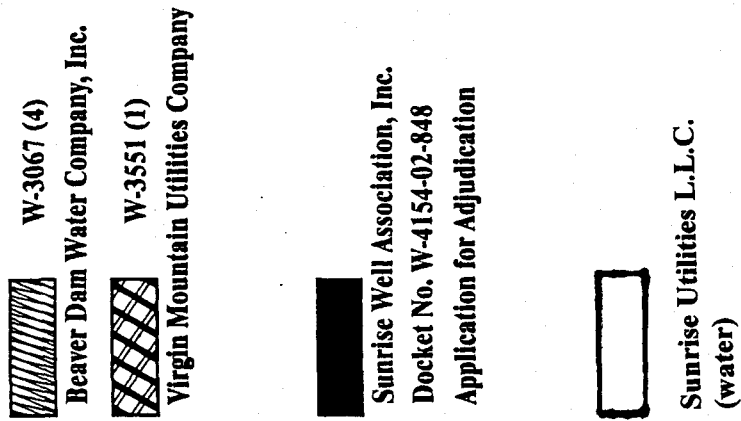
All in Township 16W, Range 39N, G&SRB&M, Mohave County, Arizona

2

COUNTY: Mohave

RANGE 16 West

TOWNSHIP 39 North

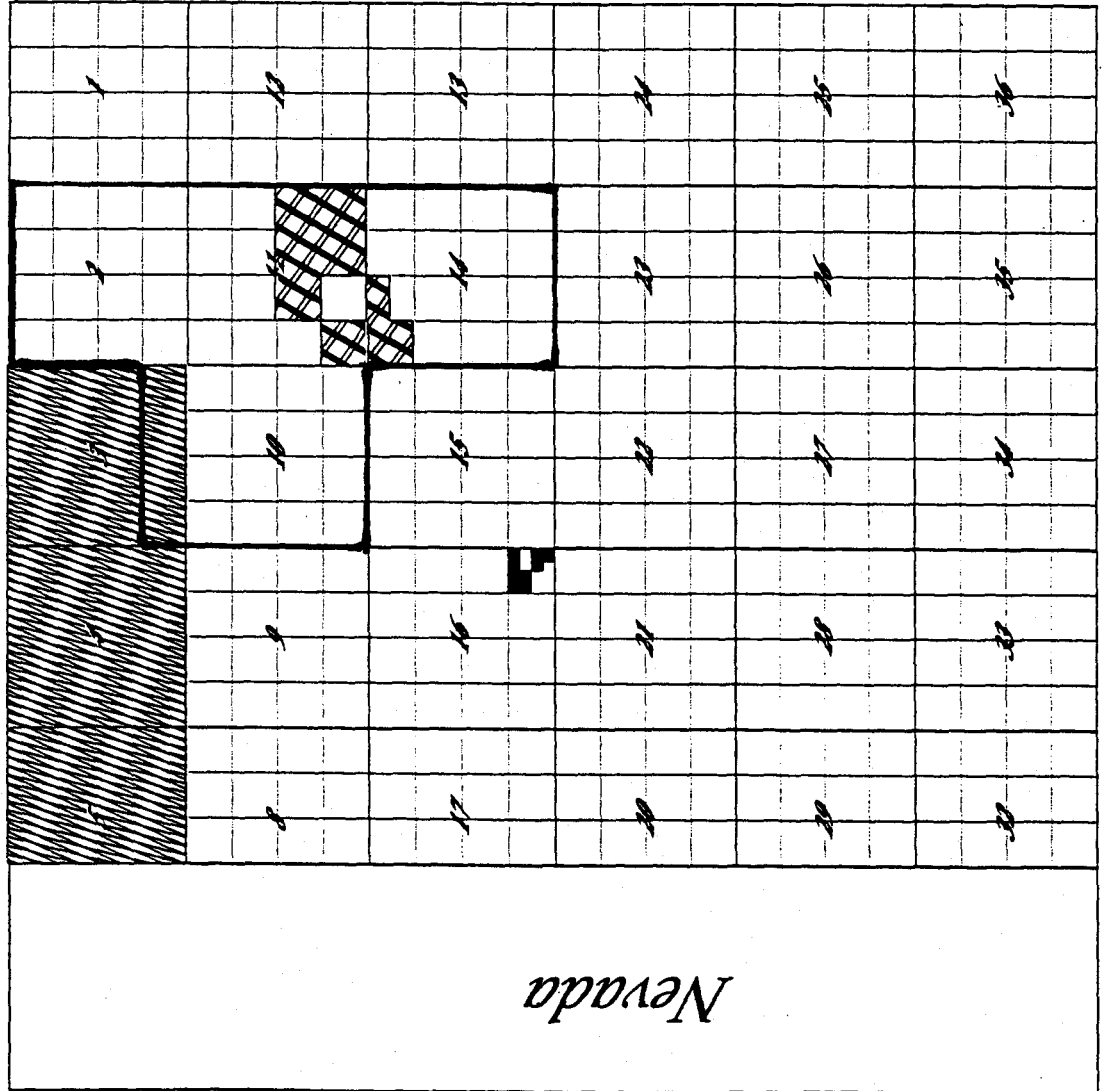


Nevada

COUNTY: Mohave

RANGE 16 West

TOWNSHIP 39 North



- W-3067 (4)
Beaver Dam Water Company, Inc.
- W-3551 (1)
Virgin Mountain Utilities Company
- Sunrise Well Association, Inc.
Docket No. W-4154-02-848
Application for Adjudication
- Sunrise Utilities L.L.C.
(sewer)

3

SUNRISE UTILITIES, L.L.C.

**PROFORMA FINANCIAL STATEMENTS
AND
SUPPORTING SCHEDULES**

Cover

SUNRISE UTILITIES, L.L.C.

INDEX

| | |
|-------------|--------------------------------|
| SCHEDULE 1 | Proforma Income Statements |
| SCHEDULE 2 | Proforma Cash Flow |
| SCHEDULE 3 | Depreciation Expenses |
| SCHEDULE 4 | Estimated Property Taxes |
| SCHEDULE 5 | Estimated Income Taxes |
| SCHEDULE 6 | Proforma Balance Sheet |
| SCHEDULE 7 | Capital Structure |
| SCHEDULE 8 | Water Construction Budget |
| SCHEDULE 9 | Wastewater Construction Budget |
| SCHEDULE 10 | Preliminary System Plan |

SUNRISE UTILITIES, L.L.C.

PROFORMA CONSOLIDATED INCOME STATEMENT

| | 2005 | Year Two | Year Three | Year Four | Year Five |
|-------------------------------|------------|------------|------------|-----------|-----------|
| REVENUES | | | | | |
| Water Revenues | \$24,171 | \$78,556 | \$138,983 | \$199,411 | \$259,838 |
| Wastewater Revenues | \$19,800 | \$64,350 | \$113,850 | \$163,350 | \$212,850 |
| Total Revenues | \$43,971 | \$142,906 | \$252,833 | \$362,761 | \$472,688 |
| EXPENSES | | | | | |
| Water Operating Expenses | \$49,384 | \$96,803 | \$132,258 | \$170,192 | \$246,527 |
| Wastewater Operating Expenses | \$53,473 | \$73,771 | \$98,877 | \$126,172 | \$182,746 |
| Total Operating Expenses | \$102,857 | \$170,574 | \$231,135 | \$296,364 | \$429,273 |
| Operating Income (Loss) | (\$58,886) | (\$27,668) | \$21,698 | \$66,396 | \$43,415 |
| Water Interest Expense | \$0 | \$0 | \$0 | \$0 | \$0 |
| Wastewater Interest Expense | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Interest Expense | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Income (Loss) | (\$58,886) | (\$27,668) | \$21,698 | \$66,396 | \$43,415 |

SUNRISE UTILITIES, L.L.C.

PROFORMA WATER INCOME STATEMENT

| | 2005 | Year Two | Year Three | Year Four | Year Five |
|---|------------|-------------|-------------|-------------|-------------|
| REVENUES | | | | | |
| Minimum Charges/Month | \$18.00 | \$18.00 | \$18.00 | \$18.00 | \$18.00 |
| Gallons Included | 0 | 0 | 0 | 0 | 0 |
| Excess Gallonage Charge/1000 | | | | | |
| for Residential/Commercial | \$2.50 | \$2.50 | \$2.50 | \$2.50 | \$2.50 |
| Over 7000 Gallons | \$2.75 | \$2.75 | \$2.75 | \$2.75 | \$2.75 |
| New Customers | 100 | 125 | 125 | 125 | 125 |
| Year End Customers | 100 | 225 | 350 | 475 | 600 |
| Number of Residentials Customers (Avg.) | 50 | 163 | 288 | 413 | 538 |
| Sales Revenues (1) | \$24,171 | \$78,556 | \$138,983 | \$199,411 | \$259,838 |
| Total Revenues | \$24,171 | \$78,556 | \$138,983 | \$199,411 | \$259,838 |
| EXPENSES | | | | | |
| Pumping costs | \$5,125 | \$10,053 | \$15,505 | \$21,165 | \$26,825 |
| Cost/1000 | \$0.40 | | | | |
| Operations and Maintainece | | | | | |
| Cost/Unit/Month | \$5.00 | \$3,000 | \$9,750 | \$17,250 | \$32,250 |
| Service/Meter Installation | \$0 | \$0 | \$0 | \$0 | \$0 |
| Management | | | | | |
| Cost/Unit/Month | \$8.33 | \$4,998 | \$16,244 | \$28,739 | \$41,234 |
| SDWA Compliance | | \$2,500 | \$2,500 | \$2,500 | \$2,500 |
| Insurance: | | | | | |
| Liability/Month | \$75.00 | \$900 | \$900 | \$900 | \$900 |
| Property/Month | \$75.00 | \$900 | \$900 | \$900 | \$900 |
| Automotive/Year | \$0.00 | \$0 | \$0 | \$0 | \$0 |
| Vehicle/Month | \$100.00 | \$2,400 | \$2,400 | \$1,200 | \$1,200 |
| Depreciation | | | | | |
| Depreciable Plant | \$606,430 | \$1,243,930 | \$1,462,680 | \$1,681,430 | \$2,381,430 |
| Composite Rate | 4.22% | | | | |
| Total Depreciation | \$29,169 | \$52,553 | \$61,794 | \$71,036 | \$100,609 |
| Property Taxes (Schedule 4) | \$342 | \$1,454 | \$3,420 | \$5,900 | \$8,465 |
| Income Taxes (Schedule 5) | \$50 | \$50 | \$50 | \$608 | \$19,149 |
| Total Operating Expenses | \$49,384 | \$96,803 | \$132,258 | \$170,192 | \$246,527 |
| Operating Income (Loss) | (\$25,213) | (\$18,247) | \$6,725 | \$29,219 | \$13,312 |
| Interest Expense | | | | | |
| Outstanding Debt | \$0 | \$0 | \$0 | \$0 | \$0 |
| Interest Rate | 0.00% | | | | |
| Long Term Interest Expense Total | \$0 | \$0 | \$0 | \$0 | \$0 |
| Working Capital Interest at: | 0.00% | \$0 | \$0 | \$0 | \$0 |
| Total Interest Expense | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Income (Loss) | (\$25,213) | (\$18,247) | \$6,725 | \$29,219 | \$13,312 |
| Original Cost Rate Base | \$414,931 | \$849,878 | \$856,834 | \$817,048 | \$1,228,939 |
| Return on OCLD of: | -6.08% | -2.15% | 0.78% | 3.58% | 1.08% |

FOOTNOTES

| | In Gallons, except Unit # | | | | |
|-------------------------------------|---------------------------|------------|------------|------------|------------|
| (1) Average Residential Sales/Month | 8,740 | 8,740 | 8,740 | 8,740 | 8,740 |
| Tier One | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 |
| Residents per Household | 2.30 | 2.30 | 2.30 | 2.30 | 2.30 |
| Gallon per Customer per Day | 125 | 125 | 125 | 125 | 125 |
| Res Sales/Year in Gallons | 5,244,000 | 17,043,000 | 30,153,000 | 43,263,000 | 56,373,000 |
| Average Residential Bill | \$40.29 | \$40.29 | \$40.29 | \$40.29 | \$40.29 |

Water Income

SCHEDULE 1

Page 2 of 3

SUNRISE UTILITIES, L.L.C.
PROFORMA WASTEWATER INCOME STATEMENT

| | 2005 | Year Two | Year Three | Year Four | Year Five |
|--|----------|-------------|-------------|-------------|-------------|
| REVENUES | | | | | |
| Minimum Charges/Month | \$33.00 | \$33.00 | \$33.00 | \$33.00 | \$33.00 |
| Number of Residential Customers (Avg.) | 50 | 163 | 288 | 413 | 538 |
| Revenues | \$19,800 | \$64,350 | \$113,850 | \$163,350 | \$212,850 |
| Total Revenues | \$19,800 | \$64,350 | \$113,850 | \$163,350 | \$212,850 |
| EXPENSES | | | | | |
| Power Costs | \$2,000 | \$2,000 | \$2,000 | \$2,000 | \$2,000 |
| Operations and Maintenance | | | | | |
| Cost/Unit/Month | \$5.00 | \$3,000 | \$9,750 | \$17,250 | \$32,250 |
| Service Installation | \$0 | \$0 | \$0 | \$0 | \$0 |
| Management | | | | | |
| Cost/Unit/Month | \$7.00 | \$4,200 | \$13,650 | \$24,150 | \$45,150 |
| Insurance: | | | | | |
| Liability/Month | \$75.00 | \$900 | \$900 | \$900 | \$900 |
| Property/Month | \$75.00 | \$900 | \$900 | \$900 | \$900 |
| Automotive/Year | \$500.00 | \$500 | \$500 | \$500 | \$500 |
| Vehicle/Month | \$100.00 | \$1,200 | \$1,200 | \$1,200 | \$1,200 |
| Depreciation | | | | | |
| Depreciable Plant | | \$1,041,325 | \$1,191,325 | \$1,341,325 | \$1,528,825 |
| Composite Rate | 3.66% | | | | |
| Total Depreciation | | \$40,458 | \$43,645 | \$49,140 | \$56,009 |
| Property Taxes (Schedule 4) | | \$280 | \$1,191 | \$2,802 | \$4,833 |
| Income Taxes (Schedule 5) | | \$35 | \$35 | \$35 | \$430 |
| Total Operating Expenses | | \$53,473 | \$73,771 | \$98,877 | \$126,172 |
| Operating Income (Loss) | | (\$33,673) | (\$9,421) | \$14,973 | \$37,178 |
| Interest Expense | | | | | |
| Outstanding Debt | | \$0 | \$0 | \$0 | \$0 |
| Interest Rate | 0.00% | | | | |
| Long Term Interest Expense Total | | \$0 | \$0 | \$0 | \$0 |
| Working Capital Interest at: | 0.00% | \$0 | \$0 | \$0 | \$0 |
| Total Interest Expense | | \$0 | \$0 | \$0 | \$0 |
| Net Income (Loss) | | (\$33,673) | (\$9,421) | \$14,973 | \$37,178 |
| Original Cost Rate Base | | \$1,003,492 | \$959,848 | \$910,707 | \$854,698 |
| Return on OCLD of: | | -3.36% | -0.98% | 1.64% | 4.35% |
| | | | | | 2.46% |

SUNRISE UTILITIES, L.L.C.

PROFORMA CASH FLOW

| | 2005 | Year Two | Year Three | Year Four | Year Five |
|---|-------------|-------------|------------|-------------|-------------|
| SOURCES OF CASH | | | | | |
| Beginning Cash Balance | \$0 | \$10,740 | \$79,270 | \$211,902 | \$405,344 |
| Net Income | (\$58,886) | (\$27,668) | \$21,698 | \$66,396 | \$43,415 |
| Add: Depreciation Expense | \$69,626 | \$96,198 | \$110,935 | \$127,045 | \$179,974 |
| Total Cash from Operations | \$10,740 | \$68,530 | \$132,633 | \$193,442 | \$223,389 |
| Financing Proceeds | \$1,488,050 | \$0 | \$0 | \$0 | \$0 |
| Water Line Extension Agreements | \$246,330 | \$187,500 | \$218,750 | \$218,750 | \$250,000 |
| Wastewater Line Extension Agreements | \$60,375 | \$150,000 | \$150,000 | \$187,500 | \$187,500 |
| Water Hook-Up Fees | \$150,000 | \$187,500 | \$187,500 | \$187,500 | \$187,500 |
| Wastewater Hook-Up Fees | \$175,000 | \$218,750 | \$218,750 | \$218,750 | \$218,750 |
| Hook-Up Reserve Account Drawdowns | \$0 | \$450,000 | \$0 | \$0 | \$900,000 |
| Working Capital Loan | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Cash Sources | \$2,130,495 | \$1,273,020 | \$986,902 | \$1,217,844 | \$2,372,483 |
| USES OF CASH | | | | | |
| Plant Additions | \$1,794,755 | \$787,500 | \$368,750 | \$406,250 | \$1,337,500 |
| Plant Replacement | \$0 | \$0 | \$0 | \$0 | \$0 |
| Debt Repayment | \$0 | \$0 | \$0 | \$0 | \$0 |
| Line Extension Agreement Refunds | \$0 | \$0 | \$0 | \$0 | \$0 |
| Working Capital Repayment | \$0 | \$0 | \$0 | \$0 | \$0 |
| Hook-Up Fee Reserve Account Deposits | \$325,000 | \$406,250 | \$406,250 | \$406,250 | \$406,250 |
| Ending Cash Balance (Including HUF Account Balance) | \$10,740 | \$79,270 | \$211,902 | \$405,344 | \$628,733 |
| Total Cash Uses | \$2,119,755 | \$1,193,750 | \$775,000 | \$812,500 | \$1,743,750 |
| Net Change in Cash | \$10,740 | \$68,530 | \$132,633 | \$193,442 | \$223,389 |

SUNRISE UTILITIES, L.L.C.

WATER DEPRECIATION EXPENSE

| Account Number | Description | Plant in Service | Staff Recommended Rates | Annual Depreciation Expense |
|-------------------|-------------------------------------|------------------|----------------------------|--------------------------------|
| 301 | Organization | \$15,750 | | |
| 302 | Franchise Cost | \$525 | | |
| 303 | Land and Land Rights | \$42,000 | | \$0 |
| 304 | Structures and Improvements | \$74,750 | 2.50% | \$1,869 |
| 307 | Wells and Springs | \$32,200 | 3.33% | \$1,073 |
| 310 | Power Generation Equipment | \$51,750 | 5.00% | \$2,588 |
| 311 | Electric Pumping Equipment | \$86,250 | 12.50% | \$10,781 |
| 320 | Water Treatment Equipment | \$11,500 | 3.33% | \$383 |
| 330 | Dist. Reservoir and Standpipe | \$117,300 | 2.22% | \$2,604 |
| 331 | Transmission and Distribution Mains | \$74,750 | 2.00% | \$1,495 |
| 333 | Services | \$86,250 | 3.33% | \$2,872 |
| 334 | Meters | \$0 | 8.33% | \$0 |
| 335 | Hydrants | \$27,830 | 2.00% | \$557 |
| 336 | Backflow Prevention Devices | \$57,500 | 6.67% | \$3,835 |
| 339 | Miscellaneous Equipment | \$2,875 | 6.67% | \$192 |
| 340 | Office Furniture and Fixtures | \$0 | 6.67% | \$0 |
| 341 | Transportation Equipment | \$0 | 20.00% | \$0 |
| 343 | Tools and Work Equipment | \$0 | 5.00% | \$0 |
| 344 | Laboratory Equipment | \$9,200 | 10.00% | \$920 |
| 345 | Power Operated Equipment | \$0 | 5.00% | \$0 |
| 346 | Communications Equipment | \$0 | 10.00% | \$0 |
| 347 | Miscellaneous Equipment | \$0 | 10.00% | \$0 |
| 348 | Other Tangible Plant | \$0 | 2.50% | \$0 |
| Totals | | \$690,430 | 4.22% | \$29,169 |

SUNRISE UTILITIES, L.L.C.

WASTEWATER DEPRECIATION EXPENSE

| Account Number | Description | Plant in Service | Staff Recommended Rates | Annual Depreciation Expense |
|-------------------|------------------------------------|--------------------|-------------------------------|-----------------------------------|
| 301 | Organization | | | |
| 302 | Franchise Cost | | | |
| 303 | Land and Land Rights | \$63,000 | | \$0 |
| 354 | Structures and Improvements | \$5,750 | 3.33% | \$191 |
| 355 | Power Generation Equipment | \$46,000 | 5.00% | \$2,300 |
| 361 | Collection Sewers | \$333,500 | 2.00% | \$6,670 |
| 363 | Services to Customers | \$60,375 | 2.00% | \$1,208 |
| 367 | Reuse Meters & Meter Installations | \$11,500 | 8.33% | \$958 |
| 370 | Receiving Wells | \$80,500 | 3.33% | \$2,681 |
| 380 | Treatment & Disposal Equipment | \$455,400 | 5.00% | \$22,770 |
| 381 | Plant Sewers | \$23,000 | 5.00% | \$1,150 |
| 394 | Laboratory Equipment | \$11,500 | 10.00% | \$1,150 |
| 397 | Miscellaneous Equipment | \$13,800 | 10.00% | \$1,380 |
| Totals | | \$1,104,325 | 3.66% | \$40,458 |

SUNRISE UTILITIES, L.L.C.
PROFORMA PROPERTY TAX COMPUTATION
 At Proposed Water Rates

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|--|--------|--------|-----------|-----------|-----------|-----------|-----------|
| Total Revenues | \$0.00 | \$0.00 | \$ 24,171 | \$ 78,556 | \$138,983 | \$199,411 | \$259,838 |
| 3-Year Average | | | \$ 8,057 | \$ 34,242 | \$ 80,570 | \$138,983 | \$199,411 |
| Income Approach (Two times Revenue) | | | \$16,114 | \$68,485 | \$161,140 | \$277,967 | \$398,822 |
| CWIP @ 10% | | | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Full Cash Value | | | \$16,114 | \$68,485 | \$161,140 | \$277,967 | \$398,822 |
| Assessment Ratio | | | 25% | 25% | 25% | 25% | 25% |
| Assessed Value | | | \$4,029 | \$17,121 | \$40,285 | \$69,492 | \$99,705 |
| Tax Rate per \$100 Valuation | | | \$8.49 | \$8.49 | \$8.49 | \$8.49 | \$8.49 |
| Adjusted Property Tax | | | \$342 | \$1,454 | \$3,420 | \$5,900 | \$8,465 |

SUNRISE UTILITIES, L.L.C.
PROFORMA PROPERTY TAX COMPUTATION
 At Proposed Wastewater Rates

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|--|--------|--------|-----------|-----------|-----------|-----------|-----------|
| Total Revenues | \$0.00 | \$0.00 | \$ 19,800 | \$ 64,350 | \$113,850 | \$163,350 | \$212,850 |
| 3-Year Average | | | \$ 6,600 | \$ 28,050 | \$ 66,000 | \$113,850 | \$163,350 |
| Income Approach (Two times Revenue) | | | \$13,200 | \$56,100 | \$132,000 | \$227,700 | \$326,700 |
| CWIP @ 10% | | | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Full Cash Value | | | \$13,200 | \$56,100 | \$132,000 | \$227,700 | \$326,700 |
| Assessment Ratio | | | 25% | 25% | 25% | 25% | 25% |
| Assessed Value | | | \$3,300 | \$14,025 | \$33,000 | \$56,925 | \$81,675 |
| Tax Rate per \$100 Valuation | | | \$8.49 | \$8.49 | \$8.49 | \$8.49 | \$8.49 |
| Adjusted Property Tax | | | \$280 | \$1,191 | \$2,802 | \$4,833 | \$6,934 |

Wastewater Property Tax

SCHEDULE 4

Page 2 of 2

SUNRISE UTILITIES, L.L.C.

INCOME TAX COMPUTATION

| | | 2005 | Year Two | Year Three | Year Four | Year Five |
|------------------------------------|--------|------------|------------|------------|------------|-----------|
| NET TAXABLE INCOME | | (\$58,801) | (\$27,583) | \$21,783 | \$67,434 | \$76,112 |
| State Income Tax Computation | | | | | | |
| Taxable Income | | (\$58,801) | (\$27,583) | \$21,783 | \$67,434 | \$76,112 |
| LESS:State Tax | | \$0 | \$50 | \$50 | \$50 | \$242 |
| Net Operating Loss | | \$0 | (\$58,801) | (\$86,434) | (\$64,700) | \$0 |
| Adjusted Income | | (\$58,801) | (\$86,434) | (\$64,700) | \$2,684 | \$75,871 |
| State Tax Rate at : | 9.00% | \$50 | \$50 | \$50 | \$242 | \$6,828 |
| TOTAL ARIZONA TAXES | | \$50 | \$50 | \$50 | \$242 | \$6,828 |
| Federal Income Tax Computation | | | | | | |
| Taxable Income | | (\$58,801) | (\$27,583) | \$21,783 | \$67,434 | \$76,112 |
| LESS:State Tax | | \$50 | \$50 | \$50 | \$242 | \$6,828 |
| Net Operating Loss | | \$0 | (\$58,851) | (\$86,484) | (\$64,750) | \$0 |
| Adjusted Income | | (\$58,851) | (\$86,484) | (\$64,750) | \$2,443 | \$69,284 |
| TAX CALCULATION | | | | | | |
| \$0-50,000 | 15% | \$0 | \$0 | \$0 | \$366 | \$7,500 |
| \$50-75,000 | 25% | \$0 | \$0 | \$0 | \$0 | \$4,821 |
| \$75-100,000 | 34% | \$0 | \$0 | \$0 | \$0 | \$0 |
| \$100-335,000 | 39% | \$0 | \$0 | \$0 | \$0 | \$0 |
| \$335-OVER | 34% | \$0 | \$0 | \$0 | \$0 | \$0 |
| TOTAL FEDERAL TAXES | | \$0 | \$0 | \$0 | \$366 | \$12,321 |
| Effective Federal Tax Rate | | 0.0% | 0.0% | 0.0% | 0.5% | 16.2% |
| Total Federal and State Taxes | | \$50 | \$50 | \$50 | \$608 | \$19,149 |
| Allocation : Water | 29.25% | \$15 | \$15 | \$15 | \$178 | \$5,602 |
| Wastewater | 70.75% | \$35 | \$35 | \$35 | \$430 | \$13,548 |
| (Based on Rate Base) | | | | | | |
| Effective State & Federal Tax Rate | | -0.09% | -0.18% | 0.23% | 0.90% | 25.16% |

Income Tax SCHEDULE 5

SUNRISE UTILITIES, L.L.C.

PROFORMA BALANCE SHEET

| | End 2005 | Year Two | Year Three | Year Four | Year Five |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| ASSETS | | | | | |
| Cash | \$10,740 | \$79,270 | \$211,902 | \$405,344 | \$628,733 |
| Water Land | \$42,000 | \$42,000 | \$42,000 | \$42,000 | \$42,000 |
| Production & Storage Plant in Service | \$648,430 | \$1,285,930 | \$1,504,680 | \$1,723,430 | \$2,423,430 |
| Less: Accumulated Depreciation | (\$29,169) | (\$81,722) | (\$143,516) | (\$214,552) | (\$315,161) |
| Wastewater Land | \$63,000 | \$63,000 | \$63,000 | \$63,000 | \$63,000 |
| Wastewater Plant/ Collection Plant in Service | \$1,041,325 | \$1,191,325 | \$1,341,325 | \$1,528,825 | \$2,166,325 |
| Less: Accumulated Depreciation | (\$40,458) | (\$84,102) | (\$133,243) | (\$189,252) | (\$268,617) |
| Net Plant in Service | \$1,725,129 | \$2,416,431 | \$2,674,247 | \$2,953,451 | \$4,110,978 |
| Hook-Up Fee Reserves | | | | | |
| Total Reserve Balance | \$325,000 | \$281,250 | \$687,500 | \$1,093,750 | \$600,000 |
| TOTAL ASSETS | \$2,060,869 | \$2,776,951 | \$3,573,649 | \$4,452,545 | \$5,339,710 |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Current Liabilities | \$0 | \$0 | \$0 | \$0 | \$0 |
| Deferred Credits: | | | | | |
| Water Advances | \$246,330 | \$433,830 | \$652,580 | \$871,330 | \$1,121,330 |
| Less: Cumulative Refunds | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Water Advances | \$246,330 | \$433,830 | \$652,580 | \$871,330 | \$1,121,330 |
| Wastewater Advances | \$60,375 | \$210,375 | \$360,375 | \$547,875 | \$735,375 |
| Less: Cumulative Refunds | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Wastewater Advances | \$60,375 | \$210,375 | \$360,375 | \$547,875 | \$735,375 |
| Contributions: | | | | | |
| Water HUF's | \$150,000 | \$337,500 | \$525,000 | \$712,500 | \$900,000 |
| Wastewater HUF's | \$175,000 | \$393,750 | \$612,500 | \$831,250 | \$1,050,000 |
| Total Deferred Credits | \$631,705 | \$1,375,455 | \$2,150,455 | \$2,962,955 | \$3,806,705 |
| CAPITAL | | | | | |
| Common Stock Issued | \$1,488,050 | \$1,488,050 | \$1,488,050 | \$1,488,050 | \$1,488,050 |
| Long Term Debt | | \$0 | \$0 | \$0 | \$0 |
| Less: Repayment | | \$0 | \$0 | \$0 | \$0 |
| Balance | \$0 | \$0 | \$0 | \$0 | \$0 |
| Retained Earnings | (\$58,886) | (\$86,554) | (\$64,856) | \$1,540 | \$44,955 |
| Working Capital Loan | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Capital | \$1,429,164 | \$1,401,496 | \$1,423,194 | \$1,489,590 | \$1,533,005 |
| TOTAL LIABILITIES & CAPITAL | \$2,060,869 | \$2,776,951 | \$3,573,649 | \$4,452,545 | \$5,339,710 |

Balance Sheet

SCHEDULE 6

SUNRISE UTILITIES, L.L.C. **CONSOLIDATED CAPITAL STRUCTURE**

DEBT

| | 2005 Total | Year Two | Year Three | Year Four | Year Five | Total |
|----|---------------|----------|------------|-----------|-----------|-------|
| 0% | | | | | | |
| | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

EQUITY **(Member Interests)**

| | | | | | | |
|------|-------------|-----|-----|-----|-----|-------------|
| 100% | | | | | | |
| | \$1,488,050 | \$0 | \$0 | \$0 | \$0 | \$1,488,050 |
| 100% | \$1,488,050 | \$0 | \$0 | \$0 | \$0 | \$1,488,050 |

TOTAL CAPITAL ISSUANCE

LINE EXTENSION AGREEMENTS

| | | | | | | |
|------------|-----------|-----------|-----------|-----------|-----------|-------------|
| Water | \$246,330 | \$187,500 | \$218,750 | \$218,750 | \$250,000 | \$1,121,330 |
| Wastewater | \$60,375 | \$150,000 | \$150,000 | \$187,500 | \$187,500 | \$735,375 |
| Total | \$306,705 | \$337,500 | \$368,750 | \$406,250 | \$437,500 | \$1,856,705 |

CONTRIBUTIONS

| | | | | | | |
|------------|--|--|--|--|--|-----|
| Water | | | | | | \$0 |
| Wastewater | | | | | | \$0 |

TOTAL CAPITAL ADDITIONS

| | | | | | |
|-------------|-----------|-----------|-----------|-----------|-------------|
| \$1,794,755 | \$337,500 | \$368,750 | \$406,250 | \$437,500 | \$3,344,755 |
|-------------|-----------|-----------|-----------|-----------|-------------|

HOOK-UP FEE COLLECTIONS

| | | | | | | |
|------------|-----------|-----------|-----------|-----------|-----------|-------------|
| Water | \$150,000 | \$187,500 | \$187,500 | \$187,500 | \$187,500 | \$900,000 |
| Wastewater | \$175,000 | \$218,750 | \$218,750 | \$218,750 | \$218,750 | \$1,050,000 |
| Total | \$325,000 | \$406,250 | \$406,250 | \$406,250 | \$406,250 | \$1,950,000 |

FINANCING FROM HUF RESERVE ACCOUNT

| | |
|-----------|-----------|
| \$450,000 | \$900,000 |
|-----------|-----------|

SUNRISE UTILITIES, L.L.C.

WATER FACILITIES CONSTRUCTION BUBGET

| Item | Committed Units | Cost per Unit | Cost Est. Feb-04 | Company Funded | Developer Funded |
|---|--------------------|------------------|---------------------|-------------------|---------------------|
| WATER PLANT | | | | | |
| YEAR ONE | | | | | |
| COMMON FACILITIES | | | \$444,100 | \$444,100 | |
| ON-SITE FACILITIES | 100 | \$2,463 | \$246,330 | | \$246,330 |
| YEAR ONE TOTAL | | | \$690,430 | \$444,100 | \$246,330 |
| YEAR TWO | | | | | |
| COMMON FACILITIES | | | \$450,000 | \$450,000 | |
| ON-SITE FACILITIES | 125 | \$1,500 | \$187,500 | | \$187,500 |
| YEAR TWO TOTAL | | | \$637,500 | \$450,000 | \$187,500 |
| YEAR THREE | | | | | |
| COMMON FACILITIES | | | \$0 | \$0 | |
| ON-SITE FACILITIES | 125 | \$1,750 | \$218,750 | | \$218,750 |
| YEAR THREE TOTAL | | | \$218,750 | \$0 | \$218,750 |
| YEAR FOUR | | | | | |
| COMMON FACILITIES | | | | | |
| ON-SITE FACILITIES | 125 | \$1,750 | \$218,750 | | \$218,750 |
| YEAR FOUR TOTAL | | | \$218,750 | \$0 | \$218,750 |
| YEAR FIVE | | | | | |
| COMMON FACILITIES | | | \$450,000 | \$450,000 | |
| ON-SITE FACILITIES | 125 | \$2,000 | \$250,000 | | \$250,000 |
| YEAR FIVE TOTAL | | | \$700,000 | \$450,000 | \$250,000 |
| TOTAL WATER FACILITIES | 600 | | \$2,465,430 | \$1,344,100 | \$1,121,330 |
| | | | | | |
| Equivalent Units Served | | | | 600 | |
| Cost per Equilivent Unit | | | | \$2,240 | |
| Development Fee per Equivalent Unit | | | | \$1,500 | |
| Percent of Common Facilities Total Cost | | | | 66.96% | |

UTILITIES, L.L.C. OF PROBABLE COST (WATER)

NARUC

Account

| No. | Item Description | Quantity | Unit | Unit Price | Sub-Total | Engineering @10% | Contingencies @ 5% | Total |
|----------------------------|------------------------------------|----------|------|------------|------------------|---------------------|-----------------------|------------------|
| BACKBONE FACILITIES | | | | | | | | |
| 301 | Organization | 1 | ls | \$15,000 | \$15,000 | | \$750 | \$15,750 |
| 302 | Franchise Cost | 1 | ls | \$500 | \$500 | | \$25 | \$525 |
| 303 | Land and Land Rights | 1 | ls | \$40,000 | \$40,000 | | \$2,000 | \$42,000 |
| 304 | Power Panel and Interconnect | 1 | ls | \$25,000 | \$25,000 | \$2,500 | \$1,250 | \$28,750 |
| 304 | Well Enclosure | 1 | ls | \$30,000 | \$30,000 | \$3,000 | \$1,500 | \$34,500 |
| 304 | Fencing | 1 | ls | \$10,000 | \$10,000 | \$1,000 | \$500 | \$11,500 |
| 307 | Well | 1 | ls | \$28,000 | \$28,000 | \$2,800 | \$1,400 | \$32,200 |
| 310 | Power Generation Equipment | 1 | ls | \$45,000 | \$45,000 | \$4,500 | \$2,250 | \$51,750 |
| 311 | Flowtronix Pump | 1 | ls | \$50,000 | \$50,000 | \$5,000 | \$2,500 | \$57,500 |
| 311 | Well Pump, Pipes and Controls | 1 | ls | \$25,000 | \$25,000 | \$2,500 | \$1,250 | \$28,750 |
| 320 | Water Treatment Equipment | 1 | ls | \$10,000 | \$10,000 | \$1,000 | \$500 | \$11,500 |
| 330 | Site Grading | 1 | ls | \$10,000 | \$10,000 | \$1,000 | \$500 | \$11,500 |
| 330 | 100,000 Gallon Water Storage Tank | 1 | ls | \$87,000 | \$87,000 | \$8,700 | \$4,350 | \$100,050 |
| 330 | Reservoir Piping and Appurtenances | 1 | ls | \$5,000.00 | \$5,000 | \$500 | \$250 | \$5,750 |
| 339 | Miscellaneous Plant Equipment | 1 | ls | \$2,500.00 | \$2,500 | \$250 | \$125 | \$2,875 |
| 340 | Office Furniture and Fixtures | | | \$0 | \$0 | \$0 | \$0 | \$0 |
| 344 | Laboratory Equipment | 1 | ls | \$8,000.00 | \$8,000 | \$800 | \$400 | \$9,200 |
| | Total Backbone Facilities | | | | \$391,000 | \$33,550 | \$19,550 | \$444,100 |
| ON-SITE FACILITIES | | | | | | | | |
| 331 | Transmission Main | 5,000 | l.f. | \$13.00 | \$65,000 | \$6,500 | \$3,250 | \$74,750 |
| 333 | Service Lines | 150 | ea. | \$500.00 | \$75,000 | \$7,500 | \$3,750 | \$86,250 |
| 335 | Hydrants | 11 | ea. | \$2,200.00 | \$24,200 | \$2,420 | \$1,210 | \$27,830 |
| 336 | Backflow Prevention Devices | 10 | ea. | \$5,000.00 | \$50,000 | \$5,000 | \$2,500 | \$57,500 |
| | Total On-Site Facilities | | | | \$214,200 | \$21,420 | \$10,710 | \$246,330 |
| WATER SYSTEM TOTAL | | | | | \$605,200 | \$54,970 | \$30,260 | \$690,430 |

Water Eng Cost

SCHEDULE 8

Page 2 of 2

SUNRISE UTILITIES, L.L.C.

WASTEWATER FACILITIES CONSTRUCTION BUBGET

| Item | Committed Units | Cost per Unit | Cost Est. Feb-04 | Company Funded | Developer Funded |
|---|--------------------|------------------|---------------------|---|---------------------|
| WASTEWATER PLANT | | | | | |
| YEAR ONE | | | | | |
| COMMON FACILITIES | | | \$1,043,950 | \$1,043,950 | |
| ON-SITE FACILITIES | 100 | \$604 | \$60,375 | | \$60,375 |
| YEAR ONE TOTAL | | | <u>\$1,104,325</u> | <u>\$1,043,950</u> | <u>\$60,375</u> |
| YEAR TWO | | | | | |
| COMMON FACILITIES | | | | | |
| ON-SITE FACILITIES | 125 | \$1,200 | \$150,000 | | \$150,000 |
| YEAR TWO TOTAL | | | <u>\$150,000</u> | <u>\$0</u> | <u>\$150,000</u> |
| YEAR THREE | | | | | |
| COMMON FACILITIES | | | | \$0 | |
| ON-SITE FACILITIES | 125 | \$1,200 | \$150,000 | | \$150,000 |
| YEAR THREE TOTAL | | | <u>\$150,000</u> | <u>\$0</u> | <u>\$150,000</u> |
| YEAR FOUR | | | | | |
| COMMON FACILITIES | | | | | |
| ON-SITE FACILITIES | 125 | \$1,500 | \$187,500 | | \$187,500 |
| YEAR FOUR TOTAL | | | <u>\$187,500</u> | <u>\$0</u> | <u>\$187,500</u> |
| YEAR FIVE | | | | | |
| COMMON FACILITIES | | | \$450,000 | \$450,000 | |
| ON-SITE FACILITIES | 125 | \$1,500 | \$187,500 | | \$187,500 |
| YEAR FIVE TOTAL | | | <u>\$637,500</u> | <u>\$450,000</u> | <u>\$187,500</u> |
| TOTAL WASTEWATER FACILITIES | <u>600</u> | | <u>\$2,229,325</u> | <u>\$1,493,950</u> | <u>\$735,375</u> |
| Equivalent Units Served | | | | 600 | |
| Cost per Equivalent Unit | | | | \$2,490 | |
| Development Fee per Equivalent Unit | | | | \$1,750 | |
| Percent of Common Facilities Total Cost | | | | 70.28% | |

UTILITIES, L.L.C.

PROBABLE COST(WASTEWATER)

| NARUC Account No. | Item Description | Quantity | Unit | Unit Price | Sub-Total | Engineering Contingencies | | Total |
|-------------------------|--|----------|------|------------|-----------|---------------------------|----------|-------------|
| | | | | | | @10% | @ 5% | |
| BACKBONE FACILITIES | | | | | | | | |
| 301 | Organization | 1 | ls | \$0 | \$0 | | \$0 | \$0 |
| 302 | Franchise Cost | 1 | ls | \$0 | \$0 | | \$0 | \$0 |
| 303 | Land and Land Rights | 1 | ls | \$60,000 | \$60,000 | | \$3,000 | \$63,000 |
| 354 | Perimeter Fencing | 1 | ls | \$5,000 | \$5,000 | \$500 | \$250 | \$5,750 |
| 355 | Emergency Generator | 1 | ls | \$40,000 | \$40,000 | \$4,000 | \$2,000 | \$46,000 |
| 361 | Scenic Area to Elbow Canyon | 1 | ls | \$290,000 | \$290,000 | \$29,000 | \$14,500 | \$333,500 |
| 367 | Flow Measuring Device | 1 | ls | \$10,000 | \$10,000 | \$1,000 | \$500 | \$11,500 |
| 370 | Reinforced Concrete Pads | 1 | ls | \$50,000 | \$50,000 | \$5,000 | \$2,500 | \$57,500 |
| 370 | Dist Box/Headworks/Barscreen/Washdown/Misc | 1 | ls | \$20,000 | \$20,000 | \$2,000 | \$1,000 | \$23,000 |
| 380 | Treatment Plant | 150,000 | GPD | \$2.00 | \$300,000 | \$30,000 | \$15,000 | \$345,000 |
| 380 | Site Grading | 1 | ls | \$50,000 | \$50,000 | \$5,000 | \$2,500 | \$57,500 |
| 380 | Evaporative Lagoons | 1 | ls | \$25,000 | \$25,000 | \$2,500 | \$1,250 | \$28,750 |
| 380 | Power to Site | 1 | ls | \$11,000 | \$11,000 | \$1,100 | \$550 | \$12,650 |
| 380 | Chemical Feeder | 1 | ls | \$10,000 | \$10,000 | \$1,000 | \$500 | \$11,500 |
| 381 | Plant Piping and Valves | 1 | ls | \$20,000 | \$20,000 | \$2,000 | \$1,000 | \$23,000 |
| 394 | Laboratory Equipment | 1 | ls | \$10,000 | \$10,000 | \$1,000 | \$500 | \$11,500 |
| 397 | Other Plant and Miscellaneous Equipment | 1 | ls | \$12,000 | \$12,000 | \$1,200 | \$600 | \$13,800 |
| | Total Backbone Facilities | | | | \$913,000 | \$85,300 | \$45,650 | \$1,043,950 |
| ON-SITE FACILITIES | | | | | | | | |
| 363 | Sewer to Lots | 150 | ea. | \$350 | \$52,500 | \$5,250 | \$2,625 | \$60,375 |
| | Total On-site Facilities | | | | \$52,500 | \$5,250 | \$2,625 | \$60,375 |
| WASTEWATER SYSTEM TOTAL | | | | | \$965,500 | \$90,550 | \$48,275 | \$1,104,325 |


WW ENG COST

SCHEDULE 9

Page 2 of 2

SUNRISE UTILITIES, L.L.C.

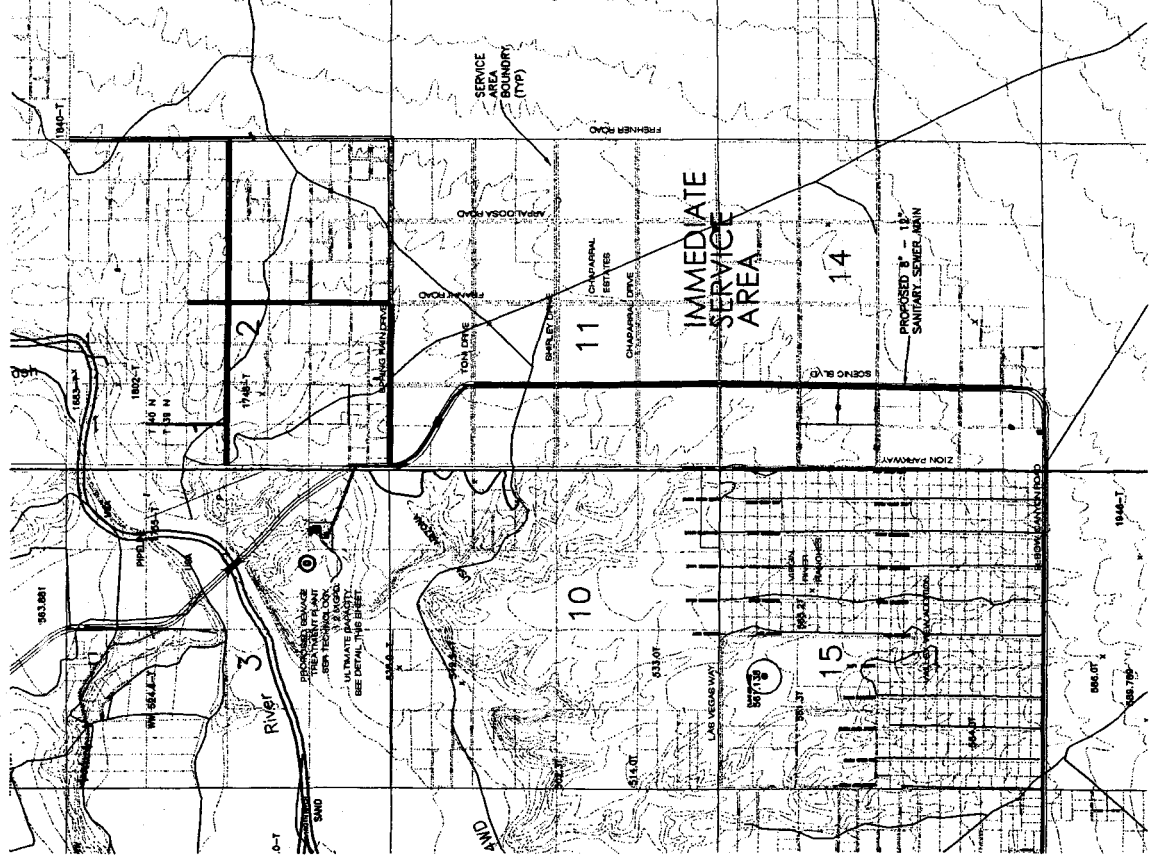
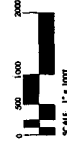
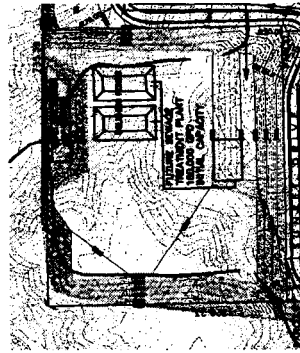
Preliminary System Plan



Please see attached

SCENIC AREA PROPOSED WASTEWATER DISTRICT SERVICE MAP

| LEGEND | |
|--------|-------------------------------|
| 11 | SECTION NUMBER |
| --- | PROPOSED SANITARY SEWER |
| --- | INITIAL SERVICE AREA BOUNDARY |
| --- | NEW COUNTOUR INDEX LINE |
| --- | NEW COUNTOUR LINE |



4

SUNRISE UTILITIES, L.L.C.

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TARIFF

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ATTACHMENT 4

SUNRISE UTILITIES, L.L.C.

DOCKET _____

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PART ONE

STATEMENT OF CHARGES
WATER SERVICE

I. RATES

In Opinion and Order No. _____, dated _____, 2004, the Commission approved the following rates and charges to become effective _____, 2004.

| <u>Meter Size</u> Inches | Usage Included in <u>Minimum Charge</u> Gallons | Minimum <u>Charge</u> Per Month |
|--|---|---------------------------------------|
| A. General Residential, Commercial, Industrial, and Irrigation Service | | |
| 5/8" x 3/4" Meter | -0- | 18.00 |
| 3/4" Meter | -0- | 27.00 |
| 1" Meter | -0- | 45.00 |
| 1 1/2" Meter | -0- | 90.00 |
| 2" Meter | -0- | 144.00 |
| 4" Meter | -0- | 450.00 |
| 6" Meter | -0- | 900.00 |

The rate for use in addition to the minimum stated above shall be the same for all sizes of meters. Additional usage shall be at the following rate per 1,000 gallons:

| <u>Consumption</u> | <u>Rate</u> |
|--------------------|-------------|
| 0-7,000 | \$2.50 |
| over 7,000 | \$2.75 |

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PART ONE

STATEMENT OF CHARGES
WATER SERVICEB. Construction Water¹

| | Usage Included in <u>Minimum Charge</u> | <u>Minimum Charge</u> |
|-------------------------------|--|---------------------------|
| | Gallons | Per Month |
| 2" Hydrant Meter ² | -0- | \$100.00 |

The rate for use in addition to the minimum stated above shall be at the rate of \$2.75 per 1,000 gallons.

HYDRANT RELOCATION:

When a Construction Meter is relocated to another hydrant or agreed upon location at the request of the Customer, there shall be a \$50 charge.

¹ Construction water service shall be provided as an "as available" basis and is subject to interruption if such service would adversely impact on the water systems operation.

² Hydrant meters shall have a non-interest bearing deposit of \$1,500.00, refundable upon return of meter in good condition and payment of final bill.

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PART ONE

STATEMENT OF CHARGES
WATER SERVICE

II. TAXES AND ASSESSMENTS

In addition to all other rates and charges authorized herein, the Company shall collect from its customers all applicable sales, transaction, privilege, regulatory or other taxes and assessments as may apply now or in the future, per Rule R14-2-409(D)(5).

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PART ONE

STATEMENT OF CHARGES
WATER SERVICEIII. ADDITIONAL CHARGES³

- | | | |
|----|--|-------------------|
| A. | Establishment of Service | \$ 20.00 |
| | Per Rule R14-2-403D | |
| | (new customer charge, in addition to E, L and M below) | |
| | 1. If after hours | \$ 40.00 |
| B. | Re-establishment of Service | |
| | Per Rule R14-2-403D | Note ⁴ |
| | (same customer, same location within 12 months) | |
| C. | Reconnection of Service | \$ 50.00 |
| | Per Rule R14-2-403D | |
| | 1. If after hours | \$ 65.00 |
| D. | Charge for Moving Meter at Customer Request | Cost ⁵ |
| | Per Rule R14-2-405B | |

³ Additional charges authorized in Paragraph III A, B, C, H, I and J shall not be duplicated for dual service customers.

⁴ Number of months off system times the monthly minimum.

⁵ See Sheet No. 11.

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PART ONE

STATEMENT OF CHARGES
WATER SERVICE

- | | | |
|----|--|---|
| E. | Minimum Deposit Requirement Per Rule R14-2-403B | |
| | 1. Residential customer | (2 times estimated average monthly bill) |
| | 2. Non residential customer | (2-1/2 times estimated maximum monthly bill) |
| | 3. Deposit Interest (per annum) | 3.0% |
| F. | Meter test per Rule, If correct Per Rule R14-2-408F | \$25.00 plus cost of test |
| G. | Meter Reread Per Rule R14-2-408C | \$ 5.00 |
| H. | Charge for NSF Check Per Rule R14-2-409F | \$ 20.00 |
| I. | Deferred Payment Finance Charge Per month | 1.5% |

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PART ONE

STATEMENT OF CHARGES
WATER SERVICE

- | | | |
|----|---|----------------------------|
| J. | Late Payment Charge Per Month | See Notes ^{6 7 8} |
| K. | Service Calls, per hour After hours only | \$40.00 ⁹ |

⁶ Greater of \$5.00 or 1.5% of unpaid balance.⁷ Bills for utility services are due and payable when rendered. Any payment not received within fifteen (15) days from the date the bill was rendered shall be considered delinquent and subject to the termination policy set forth in the Company's rate tariff. All Late Payment Charges shall be billed on the customer's next regularly scheduled billing. If the customer fails to pay the Late Payment Charge by the due date on the next billing, the customer will receive a ten (10) day termination notice. If the customer does not pay the Late Payment Charges by that date the service will be terminated. Service shall be terminated only for that service for which the customer is delinquent or is in violation of other Tariff or Rule provisions. All customers whose service is terminated for failure to pay the Late Payment Charges are subject to the Company's reconnection charges set forth in the Company's tariff.⁸ This charge shall not apply if the customer has arranged for a Deferred Payment Plan.⁹ For service problem found to be on Customer's side of meter. Company will not repair problem.

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PART ONE

STATEMENT OF CHARGES
WATER SERVICEL. Meter Advance Policy¹⁰

| | <u>Advance</u> ¹¹ |
|-------------------|------------------------------|
| 5/8" x 3/4" Meter | \$500.00 |
| 3/4" Meter | \$575.00 |
| 1" Meter | \$660.00 |
| 1 1/2" Meter | \$900.00 |
| 2" Meter | \$1,525.00 |
| 4" Meter | \$3,360.00 |
| 6" Meter | \$6,035.00 |

M. Main Extension Tariff
Per Rule R14-2-406BCost¹²

N. Off-Site Facilities Hook-Up Fee – Water

1. Applicable to: In addition to the Meter Installation Charge and requirements for on-site facilities to be installed pursuant to approved main extension agreements, the following Off-site Facilities Hook-up Fee is applicable to all new service connections requiring a main extension agreement.

2. Purpose: To equitably apportion the costs of off-site water facility development among all new service connections.

¹⁰ The customer shall be the owner of and be responsible for the design, installation, maintenance and operation of the Service Line on the customer's side of the water meter.

¹¹ Plus county permit charges. Permit charges are non-refundable.

¹² Per Sheet No. 11.

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PART ONE

STATEMENT OF CHARGES
WATER SERVICE

3. Definitions:

"Applicant" means any party entering into an agreement with Company for the installation of water facilities to serve new service connections.

"Company" means Sunrise Utilities, L.L.C.

"Main extension agreement" means any agreement whereby an applicant agrees to advance the costs of the installation of water facilities to Company to serve new service connections, or install water facilities to serve new service connections and transfer ownership of such water facilities to Company, which agreement shall require the approval of the Arizona Corporation Commission. Same as "line extension agreement".

"Off-site facilities" means wells, storage tanks and related appurtenance necessary for proper operation, including engineering and design costs. Offsite facilities may also include booster pumps, pressure tanks, transmission mains and related appurtenances necessary for proper operation if these facilities are not for the exclusive use of applicant.

"Service Connection" means and includes all service connections for single-family residential or other uses, regardless of meter size.

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Applies to all WATER service areas

PART ONE**STATEMENT OF CHARGES
WATER SERVICE**

4. Off-site Facilities Hook-up Fee: Each new service connection shall pay the total Off-site Facilities Hook-up Fee derived from the following table:

| <u>Size</u> | <u>NARUC Meter Factor</u> | <u>Fee</u> |
|-------------------|---------------------------|------------|
| 5/8" x 3/4" Meter | 1.0 | \$1,500.00 |
| 3/4" Meter | 1.2 | 1,800.00 |
| 1" Meter | 2.0 | 3,000.00 |
| 1-1/2" Meter | 4.0 | 6,000.00 |
| 2" Meter | 6.4 | 18,000.00 |
| 4" Meter | 20.0 | 30,000.00 |
| 6" or greater | 40.0 | 60,000.00 |

5. Terms and Conditions:

- A. Time of payment: In addition to the amounts to be advanced pursuant to an Arizona Corporation Commission approved main extension agreement, the applicant for new water services shall pay the Company the Off-site Facilities Hook-up Fee as determined by meter size and number of connections to be installed pursuant to the main extension agreement. Payment of the Off-site Facilities Hook-up Fee shall normally be made at the time of payment of the main extension agreement or prior to commencement of construction of the water facilities to be installed by applicant pursuant to the main extension agreement. However, in the event a Developer requests the Company commit to service to units within a master planned development for which main extension agreements have not been executed as of the date of such commitment, then and in that event, the Company and Developer shall enter an agreement scheduling payment of hook-up fees to insure that the Company

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Applies to all WATER service areas

PART ONE

STATEMENT OF CHARGES
WATER SERVICE

is able to complete construction of the required facilities prior to necessity for service to the Development.

- B. Off-site Facilities Hook-up Fee Non-refundable: The base fee amounts collected by the Company pursuant to the Off-site Facilities Hook-up Fees shall be non-refundable advances in aid of construction.
- C. Trust Account: All funds collected by the Company as Off-site Facilities Hook-up Fees shall be deposited into a separate interest bearing trust account and used solely for the purpose of paying for the costs of off-site facilities, including repayment of loans obtained for the installation of off-site facilities.
- D. Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the Off-site Facilities Hook-up Fee or the Off-site Facilities Hook-up Fee has been terminated by order of Arizona Corporation Commission, any funds remaining in the trust account shall be refunded. The manner of the refund shall be determined by the Commission at the time of refund becomes necessary.

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Applies to all WATER service areas

PART ONE

STATEMENT OF CHARGES
WATER SERVICE

IV. PERMITTED COSTS

A. Costs shall be verified by invoice.

B. For services that are provided by the Company at costs, cost shall include labor, materials, other charges incurred, and overhead not to exceed 10%. However, prior to any such service being provided, the estimated cost of such service will be provided by the Company to the customer. After review of the cost estimate, the customer will pay the amount of the estimated cost to the Company.

C. In the event that the actual cost is less than the estimated cost, the Company will refund the excess to the customer within 30 days after completion of the provision of the service or after Company's receipt of invoices, timesheets or other related documents, whichever is later.

D. In the event the actual cost is more than the estimated cost, the Company will bill the customer for the amount due within 30 days after completion of the provision of the service or after the Company's receipt of invoices, timesheets or other related documents, whichever is later. The amount so billed will be due and payable 30 days after the invoice date. However, if the actual cost is more than five percent (5%) greater than the total amount paid, the customer will only be required to pay five percent (5%) more than the total amount paid, unless the Company can demonstrate that the increased costs were beyond its control and could not be foreseen at the time the estimate for the total amount paid was made.

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Applies to all **WATER** service areas

PART ONE

STATEMENT OF CHARGES
WATER SERVICE

E. At the customer's request, the Company shall make available to the customer all invoices, timesheets or related documents that support the cost for providing such service.

F. Permitted costs shall include any Federal, State or local taxes that are or may be payable by the Company as a result of any tariff or contract for water facilities under which the Customer advances or contributes funds or facilities to the Company.

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Cancelling Sheet No.

Applies to all **WATER** service areas

PART TWO

STATEMENT OF TERMS AND CONDITIONS
WATER SERVICE

I. CROSS-CONNECTION CONTROL

A. Purpose.

To protect the public water supply in the Company's water supply in the Company's water system from the possibility of contamination caused by backflow through unprotected cross-connections by requiring the installation and periodic testing of backflow-prevention assemblies pursuant to the provisions of the Arizona Administrative Code, Title 14, Chapter 2, Section 405.B.6 as adopted by the Arizona Corporation Commission, and Title 18, Chapter 4, Section 115, as adopted by the Arizona Department of Environmental Quality, or Maricopa County Environmental Services Division, as those regulations may be revised from time to time.

B. Inspections.

The customers shall cooperate fully with the Company in its efforts to investigate and determine the degree of potential health hazard to the public water supply which may result from conditions existing on the customer's premises.

C. Requirements.

In compliance with the Rules and Regulations of the Arizona Corporation Commission and the Arizona Department of Environmental Quality, specifically A.A.C. R14-2-405.B.6 and A.A.C. R18-4-115 relating to backflow prevention:

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1. The Company may require a customer to pay for and have installed, maintain, test and repair a backflow-prevention assembly if A.A.C. R18-4-115.B or C applies.
2. A backflow-prevention assembly required to be installed by the customer under this tariff shall comply with the requirements set forth in A.A.C. R18-4-115.D and E.
3. The Company shall give any customer who is required to install and/or test a backflow-prevention assembly written notice of said requirement. If A.A.C. R14-2-410.B.1.a. is not applicable, the customer shall be given thirty (30) days in which to comply with this notice. If the customer can show good cause as to why he cannot install the device within thirty (30) days, the Company or the Arizona Corporation Commission Staff may grant additional time for this requirement.
4. Testing shall be in conformance with the requirements of A.A.C. R18-4-115.F. and Maricopa County Environmental Services Division. The Company shall not require an unreasonable number of tests.
5. The customer shall provide the Company with records of installation and testing. For each backflow-prevention assembly, these records shall include:

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- a. assembly identification number and description;
- b. location;
- c. date(s) of test(s);
- d. description of repairs made by tester; and
- e. tester's name and certificate number.

D. Discontinuance of Service.

In accordance with A.A.C. R14-2-407 and 410 and provisions of this tariff, the Company may terminate service or deny service to a customer who fails to install and/or test a backflow-prevention assembly as required by this tariff.

1. In the event the backflow-prevention assembly has not been installed or fails any test and A.A.C. R14-2-410.B.1.a. is applicable, the Company may terminate service immediately and without notice. The backflow-prevention assembly shall be installed and repaired by the customer and retested before service is restored.

2. In the event the backflow-prevention assembly has not been installed or fails any test and A.A.C. R14-2-410.B.1.a. is not applicable, the backflow-prevention assembly shall be installed and/or repaired by the customer and tested within fourteen (14) days of written notice by the Company. Failure to install or to remedy the deficiency or dysfunction of the assembly, or failure to retest shall be grounds for termination of water utility service in accordance with A.A.C. R14-2-410.

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**II. INTERRUPTIBLE SERVICE; COMPANY'S LIABILITY
LIMITATIONS**

A. The Company will supply only such water at such pressures as may be available from time to time as a result of the normal operation of its water system. The Company will maintain a minimum water pressure of 20 p.s.i. and will not guarantee a specific gallons per minute flow rate at any public fire hydrants or fire sprinkler service. In the event service is interrupted, irregular or defective, or fails from causes beyond the Company's control or through ordinary negligence of its employees or agents, the Company will not be liable for any injuries or damages arising therefrom.

III. CURTAILMENT PLAN FOR SUNRISE UTILITIES, L.L.C.

ADEQ Public Water System Number: PWS I.D. # _____

Sunrise Utilities, L.L.C. ("Company") is authorized to curtail water service to all customers, residential and commercial, within its certificated area under the following terms and conditions:

Stage 1 Exists When:

Company is able to maintain water storage in the system at 100 percent of capacity and there are no known problems with its well production or water storage in the system.

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Restrictions: Under Stage 1, Company is deemed to be operating normally and no curtailment is necessary.

Notice Requirements: Under Stage 1, no notice is necessary.

Stage 2 Exists When:

- a. Company's water storage or well production has been less than 80 percent of capacity for at least 48 consecutive hours, and
- b. Company has identified issues such as steadily declining water table, an increased draw-down threatening pump operations, or poor water production creating a reasonable belief the Company will be unable to meet anticipated water demands in the system.

Restrictions: Under Stage 2, the Company may request the customers to voluntarily employ water conservation measures to reduce water consumption by approximately 50 percent. Outside watering should be limited to essential water, dividing outside watering on some uniform basis (such as even and odd days) and eliminating outside watering on weekends and holidays.

Notice Requirements: Under Stage 2, the Company is required to notify customers by delivering written notice door to door at each service address, or by United States first class mail to the billing address or, at the Company's option both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

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Applies to all WATER service areas

PART TWO**STATEMENT OF TERMS AND CONDITIONS**
WATER SERVICE**Stage 3 Exists When:**

- a. Company's total water storage or well production has been less than 50 percent of capacity for at least 24 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 3, Company shall request the customer to voluntarily employ water conservation measures to reduce daily consumption by approximately 50 percent. All outside watering should be eliminated, except livestock, and indoor water conservation techniques should be employed whenever possible.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option both. Such Notice shall notify the customers of the general nature of the problem and the need to conserve water.

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2. Beginning with Stage 3, Company shall post at least two (2) signs showing the curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to the major subdivision served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering stage 3.

Once Stage 3 has been reached, the Company must begin to augment the supply of water by either hauling or through an emergency interconnect with an approved water supply in an attempt to maintain the curtailment at a level no higher than stage three until a permanent solution has been implemented.

Stage 4 Exists When:

- a. Company's total water storage or well production has been less than 25 percent of capacity for at least 12 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 4, Company shall inform the customers of a **mandatory** restriction to employ water conservation measures to reduce daily consumption. Failure to comply will result in customer disconnection. The following uses of water shall be prohibited:

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- ◆ Irrigation of outdoor lawns, trees, shrubs, or any plant life is prohibited
- ◆ Washing of any vehicle is prohibited
- ◆ The use of water for dust control or any outdoor cleaning uses is prohibited
- ◆ The use of drip or misting systems of any kind is prohibited
- ◆ The filling of any swimming pool, spas, fountains or ornamental pools is prohibited
- ◆ Restaurant patrons shall be served water only upon request
- ◆ Any other water intensive activity is prohibited

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Company shall post at least two (2) signs showing curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to the major subdivision served by the Company.

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3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering stage 4.

Customers who fail to comply with cessation of outdoor use provisions will be given a written notice to end all outdoor use. Failure to comply with in two (2) working days of receipt of the notice will result in temporary loss of service until an agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees.

Once Stage 4 has been reached, the Company must augment the supply of water by hauling or through an emergency interconnect from an approved supply in an attempt to maintain the supply until a permanent solution has been implemented.

Note: If the Company loses all production and has no storage facilities, the Company must rely on emergency hauling or must otherwise provide emergency drinking water for its customers.

IV. RULES AND REGULATIONS

The Company has adopted the Rules and Regulations established by the Commission as the basis for its operating procedures. A.A.C. R14-2-401 through A.A.C. R14-2-411 will be controlling of Company procedures, unless specific Commission Order(s) provide otherwise.

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Sunrise Utilities, L.L.C.
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Applies to all WASTEWATER service areas**PART THREE****STATEMENT OF CHARGES
WASTEWATER SERVICE****I. RATES**

In Opinion and Order No. _____, dated _____, 2004, the Commission approved the following rates and charges to become effective with _____, 2004:

| <u>Water Service Size</u> | | <u>Minimum Charge</u> |
|---------------------------|--|-----------------------|
| A. | General Residential Service | |
| | All Sizes | \$33.00 |
| B. | Commercial Service | |
| | All Sizes | \$50.00 |
| C. | Effluent Sales | |
| 1. | All Sizes On a per 1,000 gallon basis | \$.62 |
| 2. | All Sized On a per acre foot basis | \$200.00 |

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Cancelling Sheet No.

Applies to all WASTEWATER service areas**PART THREE****STATEMENT OF CHARGES
WASTEWATER SERVICE****II. TAXES AND ASSESSMENTS**

In addition to all other rates and charges authorized herein, the Company shall collect from its customers all applicable sales, transaction, privilege, regulatory or other taxes and assessments as may apply now or in the future, per Rule R14-2-608(D)(5).

III. ADDITIONAL CHARGES¹³

| | | |
|----|---|-----------------------|
| A. | Establishment of Service per Rule R14-2-603D (new customer charge, in addition to D, I and J below) | \$20.00 ¹⁴ |
| 1. | If after hours | 40.00 |
| B. | Re-establishment of Service per Rule R14-2-603D (same customer, same location within 12 months) | Note ¹⁵ |
| C. | Reconnection of Service Per Rule R14-2-603D | 50.00 |

¹³ Additional charges authorized in Paragraph III A, B, C, E, F and G shall not be duplicated for dual service customers.

¹⁴ Initial monthly billing under PART THREE I to new wastewater service for homes under construction shall commence no sooner than 30, and no more than 60 days after the water meter is installed. Wastewater billing to new service at existing locations shall be pro-rated from the start of service.

¹⁵ Number of months off system times the sum of the monthly minimum.

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Applies to all WASTEWATER service areas**PART THREE****STATEMENT OF CHARGES
WASTEWATER SERVICE**

| | |
|---|---|
| 1. If after hours | 65.00 |
| D. Deposit Requirement ¹⁶ per Rule R140-2-603B | |
| 1. Residential customer | (2 times estimated average monthly bill) |
| 2. Non-residential customer | (2-1/2 times estimated maximum monthly bill) |
| 3. Deposit Interest | 3.0% |
| E. Charge for NSF Check per Rule R14-2-608E ¹⁷ | \$20.00 |
| F. Deferred Payment Finance Charge, per month ¹⁸ | 1.5% |

¹⁶ The Company does not normally require a deposit prior to the provision of service. However, if the service is not in the property owner's name, this deposit is required. Also in the event service is disconnected due to nonpayment, this deposit may be required.

¹⁷ This charge shall not apply if wastewater service is paid with the same NSF check used to pay for water service for which a NSF fee is charged.

¹⁸ Deferred payments for wastewater service are only available if established in connection with deferred payments for water service under PART ONE, III(I) of this tariff.

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| | | |
|----|--|--------------------------------|
| G. | Late Payment, Per Month, per Rule R14-2-608F | See Notes ^{19 20 21} |
| H. | Service Calls, per hour After hours only | \$40.00 ²² |
| I. | Service Lateral Connection Charge ²³ Residential Commercial | \$500.00 Cost ²⁴ |
| J. | Main Extension Tariff, per Rule R14-2-606B | Cost ²⁵ |

¹⁹ Greater of \$5.00 or 1.5% of the unpaid balances.

²⁰ This charge shall not apply if the customer has arranged for a Deferred Payment Plan.

²¹ Bills for utility services are due and payable when rendered. Any payment not received within fifteen (15) days from the date the bill was rendered shall be considered delinquent and subject to the termination policy set forth in the Company's rate tariff. All Late Payment Charges shall be billed on the customer's next regularly scheduled billing. If the customer fails to pay the Late Payment Charge by the due date on the next billing, the customer will receive a ten (10) day termination notice. If the customer does not pay the Late Payment Charges by that date the service will be terminated. Service shall be terminated only for that service for which the customer is delinquent or is in violation of other Tariff or Rule provisions. All customers whose service is terminated for failure to pay the Late Payment Charges are subject to the Company's reconnection charges set forth in the Company's tariff.

²² For service problem found to be on Customer's side of lot line. Company will not repair problem.

²³ The Company shall own the Service Lateral up to the Customer's property line. The Customer shall own the Service Lateral beyond that point. The Company shall maintain and operate the Service Lateral only from the connection to the main line in the street or right-of-way up to its interconnection with the Customer's Service Lateral at the edge of the right-of-way, beyond which maintenance is the Customer's responsibility

²⁴ Per Sheet No. 29.

²⁵ All Main Extensions shall be completed at cost per Sheet No. 29 and shall be non-refundable Contributions-in-Aid-of-Construction.

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K. Off-Site Facilities Hook-up Fee-Wastewater

1. Applicable to: In addition to any other Arizona Corporation Commission approved charges and requirements for on-site facilities to be installed pursuant to main extension agreements, the following Off-site Facilities Hook-up Fee is applicable to all new service connections requiring a main extension agreement.

2. Purpose: To equitably apportion the costs of off-site wastewater facility development among all new service connections.

3. Definitions:

"Applicant" means any party entering into an agreement with Company for the installation of wastewater facilities to serve new service connections.

"Company" means Sunrise Utilities, L.L.C.

"Main extension agreement" means any agreement whereby an applicant agrees to advance the costs of the installation of wastewater facilities to Company to serve new service connections, or install water facilities to serve new service connections and transfer ownership of such wastewater facilities to Company.

"Off-site facilities" means treatment plant, sludge disposal facilities, effluent disposal facilities and related appurtenance necessary for proper operation, including engineering and design costs. Offsite facilities may also include lifts stations,

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force mains, trunk collection mains and related appurtenances necessary for proper operation if these facilities are not for the exclusive use of applicant.

“Service Connection” means and includes all service connections for single-family residential or other uses, regardless of service lateral size.

4. Off-site Facilities Hook-up Fee: Each new service connection shall pay the total Off-site Facilities Hook-up Fee derived from the following table:

| <u>Service Lateral Size</u> | <u>Total Fee</u> |
|-----------------------------|------------------|
| 4" | \$ 1,750.00 |
| 6" or greater | 3,500.00 |

5. Terms and Conditions:

- A. Time of payment: In addition to the amounts to be advanced pursuant to a main extension agreement, the applicant for new wastewater services shall pay the Company the Off-site Facilities Hook-up Fee as determined by service lateral size and number of connections to be installed pursuant to the main extension agreement. Payment of the Off-site Facilities Hook-up Fee shall normally be made at the time of payment of the main extension agreement or prior to commencement of construction of the wastewater facilities to be installed by applicant pursuant to the main extension agreement. However, in the event a Developer requests the Company commit to service to units within a master planned development for which main extension agreements

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STATEMENT OF CHARGES
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have not been executed as of the date of such commitment, then and in that event, the Company and Developer shall enter an agreement scheduling payment of hook-up fees to insure that the Company is able to complete construction of the required facilities prior to necessity for service to the Development.

- B. Off-site Facilities Hook-up Fee Non-refundable: The base fee amounts collected by the Company pursuant to the Off-site Facilities Hook-up Fees shall be non-refundable advances in aid of construction.
- C. Trust Account: All funds collected by the Company as Off-site Facilities Hook-up Fees shall be deposited into a separate interest bearing trust account and used solely for the purpose of paying for the costs of off-site facilities, including repayment of loans obtained for the installation of off-site facilities.

Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the Off-site Facilities Hook-up Fee or the Off-site Facilities Hook-up Fee has been terminated by order of Arizona Corporation Commission, any funds remaining in the trust account shall be refunded. The manner of the refund shall be determined by the Commission at the time of refund becomes necessary.

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PART THREE

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IV. PERMITTED COSTS

- A. Costs shall be verified by invoice.
- B. For services that are provided by the Company at cost, cost shall include labor, materials, other charges incurred, and overhead. However, prior to any such service being provided, the estimated cost of such service will be provided by the Company to the customer. After review of the cost estimate, the customer will pay the amount of the estimated cost to the Company.
- C. In the event that the actual cost is less than the estimated cost, the Company will refund the excess to the customer within 30 days after completion of the provision of the service or after Company's receipt of invoices, timesheets or other related documents, whichever is later.
- D. In the event the actual cost is more than the estimated cost, the Company will bill the customer for the amount due within 30 days after completion of the invoices, timesheets or other related documents, whichever is later. The amount so billed will be due and payable 30 days after the invoice date.
- E. At the customer's request, the Company shall make available to the customer all invoices, timesheets or related documents that support the cost for providing such service.
- F. Permitted costs shall include any Federal, State or local taxes that are or may be payable by the Company as a result of any tariff or contract for wastewater facilities under which the Customer advances or contributes funds or facilities to the Company.

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PART FOUR

STATEMENT OF TERMS AND CONDITIONS
WASTEWATER SERVICE

I. CUSTOMER DISCHARGE TO SYSTEM

A. Service Subject to Regulation

The Company provides wastewater service using treatment and collection facilities that are regulated by numerous county, state and federal Statutes and Regulations. Those Regulations include limitations as to domestic strength wastewater and the type of wastewater that may be discharged into the system by any person directly or indirectly connected to the plant.

B. Waste Limitations

The Company has established the permissible limits of concentration as domestic strength wastewater and will limit concentration for various specific substances, materials, waters, or wastes that can be accepted in the sewer system, and to specify those substances, materials, waters, or wastes that are prohibited from entering the sewer system. Each permissible limit so established shall be placed on file in the business office of the Company, with a copy filed with the Commission. No person shall discharge, or cause to be discharged, any new sources of inflow including, but not limited to, storm water, surface water, groundwater, roof runoffs, subsurface drainage, cooling water, or polluted industrial process waters into the sanitary sewer. The Company will require an affidavit from all commercial and industrial customers, and their professional engineer, stating that the wastewater discharged to the system does not exceed domestic strength.

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PART FOUR

STATEMENT OF TERMS AND CONDITIONS
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C. Inspection and Right of Entry

Every facility that is involved directly or indirectly with the discharge of wastewater to the Treatment Plant may be inspected by the Company as it deems necessary. These facilities shall include but not be limited to sewers; sewage pumping plants; all processes; devices and connection sewers; and all similar sewerage facilities. Inspections may be made to determine that such facilities are maintained and operated properly and are adequate to meet the provisions of these rules. Inspections may include the collection of samples. Authorized personnel of the Company shall be provided immediate access to all of the above facilities or to other facilities directly or indirectly connected to the Treatment Plant at all reasonable times including those occasioned by emergency conditions. Any permanent or temporary obstruction to easy access to the user's facility to be inspected shall promptly be removed by the facility user or owner at the written or verbal request of the Company and shall not be replaced. No person shall interfere with, delay, resist or refuse entrance to an authorized Company representative attempting to inspect any facility involved directly or indirectly with a discharge of wastewater to the Treatment Plant. Adequate identification shall be provided by the Company for all inspectors and other authorized personnel and these persons shall identify themselves when entering any property for inspection purposes or when inspecting the work of any contractor.

All transient motor homes, travel trailers and other units containing holding tanks must arrive at the Company's service area in an empty condition. Inspection will

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PART FOUR

STATEMENT OF TERMS AND CONDITIONS
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be required of said units prior to their being allowed to hookup to the wastewater system.

D. Termination of Water Service for Violation of Wastewater Rules and Regulations

The Company is authorized to discontinue water service to any person connected to both its water and sewer systems who violates the Company's wastewater terms and conditions as set forth in this PART FOUR or in any way creates a public health hazard or the likelihood of such a public health hazard. This termination authority does not apply to non-payment for water or wastewater services.

II. RULES AND REGULATIONS

The Company has adopted the Rules and Regulations established by the Commission as the basis for its operating procedures. A.A.C. R14-2-601 through A.A.C. R14-2-609 will be controlling of Company procedures, unless specifically approved tariffs or Commission Order(s) provide otherwise.

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ISSUED BY:

Effective _____

George Timinskas, General Manager
Sunrise Utilities, L.L.C.
2960 S. Scenic Boulevard
Littlefield, AZ 86432

PUBLIC NOTICE OF AN APPLICATION
FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY
BY SUNRISE UTILITIES, L.L.C.

Sunrise Utilities, L.L.C. has filed with the Arizona Corporation Commission ("Commission") an application for authority to provide water and sewer service to an area in which records indicate that you are a property owner. If the application is granted, Sunrise Utilities, L.L.C. would be the exclusive provider of water and sewer service to the proposed area. Sunrise Utilities, L.L.C. will be required by the Commission to provide this service under the rates and charges and terms and conditions established by the Commission. The granting of the application would not necessarily prohibit an individual from providing service to themselves from individually owned facilities on their property. The application, available for inspection during regular business hours at the offices of the Commission in Phoenix at 1200 West Washington Street/Tucson at 400 West Congress, North Building, Room 218, and at Sunrise Utilities, L.L.C. at 2960 Scenic Boulevard, Littlefield, Arizona 86932.

The Commission will hold a hearing on this matter. As a property owner you may have the right to intervene in the proceeding. If you do not want to intervene, you may appear at the hearing and make a statement on your own behalf. You may contact the Commission at the address and telephone number listed below for the date and time of the hearing and for more information on intervention. You may not receive any further notice of the proceeding unless requested by you.

If you have any questions or concerns about this application, have any objections to its approval, or wish to make a statement in support of it, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000/400 West Congress, North Building, Room 218, Tucson, Arizona 85701 or call 1-800-535-0148.

D

REQUESTS FOR SERVICES

Please see attached

TAB D

February 11, 2004

George P. Timinskas
Sunrise Utilities L.L.C.
P.O. Box 3630
Mesquite, NV 89027
(702) 346-2280

Re: Request for Utility Service

Dear Mr. Timinskas:

We own [40 acres of Section 3, Township 39N Range 16W East] in the Mohave County. This area will be developed into approximately [122] residential units as soon as all required approvals are obtained.

To obtain water and wastewater service to the area, we hereby request that you proceed with applying to the Arizona Corporation Commission for a Certificate of Convenience and Necessity, to Mohave County for a Utility Franchise, and to any other appropriate agency for all other requisite authority necessary to provide the subject service.

We understand that we will be required to enter into the Company's standard line extension agreements pursuant to which we will pay for all on-site facilities plus Commission approved Hook-up Fees. We further understand that the water and wastewater service will be provided pursuant to the orders, rules, regulation, tariffs, terms and conditions authorized by the Arizona Corporation Commission which apply to the Company.

If we can provide further assistance to the Company in obtaining this required authority, please do not hesitate to call my office.

Sincerely,

Name: by Nevada Ranch Properties LLCAddress: 880 Pennington Ct, Bldg 100 A
Mesquite NV 89027Phone No.: (702) 346-7910

February 11, 2004

George P. Timinskas
Sunrise Utilities L.L.C.
P.O. Box 3630
Mesquite, NV 89027
(702) 346-2280

Re: Request for Utility Service

Dear Mr. Timinskas:

402-17-001 E 7.89 A Commercial
402-17-001 F 11.29 A
402-17-009 A 38.7
We own [59] acres of Section 11, Township 39 north Range 16 west in the Mohave County. This area will be developed into approximately [117] residential units as soon as all required approvals are obtained. *plus*

To obtain water and wastewater service to the area, we hereby request that you proceed with applying to the Arizona Corporation Commission for a Certificate of Convenience and Necessity, to Mohave County for a Utility Franchise, and to any other appropriate agency for all other requisite authority necessary to provide the subject service.

We understand that we will be required to enter into the Company's standard line extension agreements pursuant to which we will pay for all on-site facilities plus Commission approved Hook-up Fees. We further understand that the water and wastewater service will be provided pursuant to the orders, rules, regulation, tariffs, terms and conditions authorized by the Arizona Corporation Commission which apply to the Company.

If we can provide further assistance to the Company in obtaining this required authority, please do not hesitate to call my office.

Sincerely,

DeForest Rall

Name: DeForest Rall

Address: P.O. Box 2830
Mesquite NV 89024

Phone No.: _____

February 11, 2004

George P. Timinskas
Sunrise Utilities L.L.C.
P.O. Box 3630
Mesquite, NV 89027
(702) 346-2280

Re: Request for Utility Service

Dear Mr. Timinskas:


We own [45 acres of Section 11, Township 39N Range 16 ^{WEST} ~~East~~ in the Mohave County. This area will be developed into approximately [180] residential units as soon as all required approvals are obtained.

To obtain water and wastewater service to the area, we hereby request that you proceed with applying to the Arizona Corporation Commission for a Certificate of Convenience and Necessity, to Mohave County for a Utility Franchise, and to any other appropriate agency for all other requisite authority necessary to provide the subject service.

We understand that we will be required to enter into the Company's standard line extension agreements pursuant to which we will pay for all on-site facilities plus Commission approved Hook-up Fees. We further understand that the water and wastewater service will be provided pursuant to the orders, rules, regulation, tariffs, terms and conditions authorized by the Arizona Corporation Commission which apply to the Company.

If we can provide further assistance to the Company in obtaining this required authority, please do not hesitate to call my office.

Sincerely,



Name: DAVID RALL

Address: P.O. BOX 205
MESQUITE NV 89027

Phone No.: 702-346-6195

February 11, 2004

George P. Timinskas
Sunrise Utilities L.L.C.
P.O. Box 3630
Mesquite, NV 89027
(702) 346-2280

Re: Request for Utility Service

Dear Mr. Timinskas:

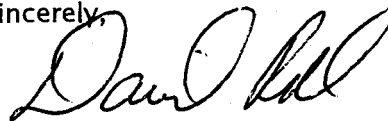
We own [40 acres of Section 14, Township 39N Range 16 ^{WEST} ~~East~~ in the Mohave County. This area will be developed into approximately [100] residential units as soon as all required approvals are obtained.

To obtain water and wastewater service to the area, we hereby request that you proceed with applying to the Arizona Corporation Commission for a Certificate of Convenience and Necessity, to Mohave County for a Utility Franchise, and to any other appropriate agency for all other requisite authority necessary to provide the subject service.

We understand that we will be required to enter into the Company's standard line extension agreements pursuant to which we will pay for all on-site facilities plus Commission approved Hook-up Fees. We further understand that the water and wastewater service will be provided pursuant to the orders, rules, regulation, tariffs, terms and conditions authorized by the Arizona Corporation Commission which apply to the Company.

If we can provide further assistance to the Company in obtaining this required authority, please do not hesitate to call my office.

Sincerely,



Name: DAVID RALL

Address: P.O. BOX 205
MESQUITE NV 89024

Phone No.: 702-346-6195

February 11, 2004

George P. Timinskas
Sunrise Utilities L.L.C.
P.O. Box 3630
Mesquite, NV 89027
(702) 346-2280

Re: Request for Utility Service

Dear Mr. Timinskas:

We own ~~160~~ acres of Section 11, Township 34 Range 16 ~~East~~ in the Mohave County. This area will be developed into approximately 450 residential units as soon as all required approvals are obtained.

To obtain water and wastewater service to the area, we hereby request that you proceed with applying to the Arizona Corporation Commission for a Certificate of Convenience and Necessity, to Mohave County for a Utility Franchise, and to any other appropriate agency for all other requisite authority necessary to provide the subject service.

We understand that we will be required to enter into the Company's standard line extension agreements pursuant to which we will pay for all on-site facilities plus Commission approved Hook-up Fees. We further understand that the water and wastewater service will be provided pursuant to the orders, rules, regulation, tariffs, terms and conditions authorized by the Arizona Corporation Commission which apply to the Company.

If we can provide further assistance to the Company in obtaining this required authority, please do not hesitate to call my office.

Sincerely,

Name: Neil L. Frehner Verle L. Johnson

Address: P.O. Box 1708
Mesquite, NV

Phone No.: 702-346-2062

2-14-04

February 11, 2004

George P. Timinskas
Sunrise Utilities L.L.C.
P.O. Box 3630
Mesquite, NV 89027
(702) 346-2280

Re: Request for Utility Service

Dear Mr. Timinskas:

We own [80 acres of Section 11, Township 39N Range 16W East] in the Mohave County. This area will be developed into approximately [260] residential units as soon as all required approvals are obtained.

To obtain water and wastewater service to the area, we hereby request that you proceed with applying to the Arizona Corporation Commission for a Certificate of Convenience and Necessity, to Mohave County for a Utility Franchise, and to any other appropriate agency for all other requisite authority necessary to provide the subject service.

We understand that we will be required to enter into the Company's standard line extension agreements pursuant to which we will pay for all on-site facilities plus Commission approved Hook-up Fees. We further understand that the water and wastewater service will be provided pursuant to the orders, rules, regulation, tariffs, terms and conditions authorized by the Arizona Corporation Commission which apply to the Company.

If we can provide further assistance to the Company in obtaining this required authority, please do not hesitate to call my office.

Sincerely,



Name: David C. Hellberg

Address: 3625 Eastwood Dr.
Salt Lake City, UT. 84109

Phone No.: 801-978-4428

February 11, 2004

George P. Timinskas
Sunrise Utilities L.L.C.
P.O. Box 3630
Mesquite, NV 89027
(702) 346-2280

Re: Request for Utility Service

Dear Mr. Timinskas:

Own - 220 Acres east of Scenic Blvd - 60 Acres S11T39NR16W
160 Acres S14T39NR16W

We own [___ acres of Section __, Township __ Range __ East] in the Mohave County. This area will be developed into approximately 1300 residential units as soon as all required approvals are obtained.

To obtain water and wastewater service to the area, we hereby request that you proceed with applying to the Arizona Corporation Commission for a Certificate of Convenience and Necessity, to Mohave County for a Utility Franchise, and to any other appropriate agency for all other requisite authority necessary to provide the subject service.

We understand that we will be required to enter into the Company's standard line extension agreements pursuant to which we will pay for all on-site facilities plus Commission approved Hook-up Fees. We further understand that the water and wastewater service will be provided pursuant to the orders, rules, regulation, tariffs, terms and conditions authorized by the Arizona Corporation Commission which apply to the Company.

If we can provide further assistance to the Company in obtaining this required authority, please do not hesitate to call my office.

Sincerely, 

Michael T. Black for
Name: Michael T. Black Family LP

Address: 4511 W. Cheyenne Ave., #601
N. Las Vegas, NV 89032

Phone No.: 702-228-2222

February 11, 2004

George P. Timinskas
Sunrise Utilities L.L.C.
P.O. Box 3630
Mesquite, NV 89027
(702) 346-2280

Re: Request for Utility Service

Dear Mr. Timinskas:

We own [80] acres of Section 10, Township 39N Range 16W] in the Mohave County. This area will be developed into approximately [300] residential units as soon as all required approvals are obtained.

To obtain water and wastewater service to the area, we hereby request that you proceed with applying to the Arizona Corporation Commission for a Certificate of Convenience and Necessity, to Mohave County for a Utility Franchise, and to any other appropriate agency for all other requisite authority necessary to provide the subject service.

We understand that we will be required to enter into the Company's standard line extension agreements pursuant to which we will pay for all on-site facilities plus Commission approved Hook-up Fees. We further understand that the water and wastewater service will be provided pursuant to the orders, rules, regulation, tariffs, terms and conditions authorized by the Arizona Corporation Commission which apply to the Company.

If we can provide further assistance to the Company in obtaining this required authority, please do not hesitate to call my office.

Sincerely,

Name:

D. Forest Roll

Address:

*P.O. Box 2830
Mesquite, NV. 89027*

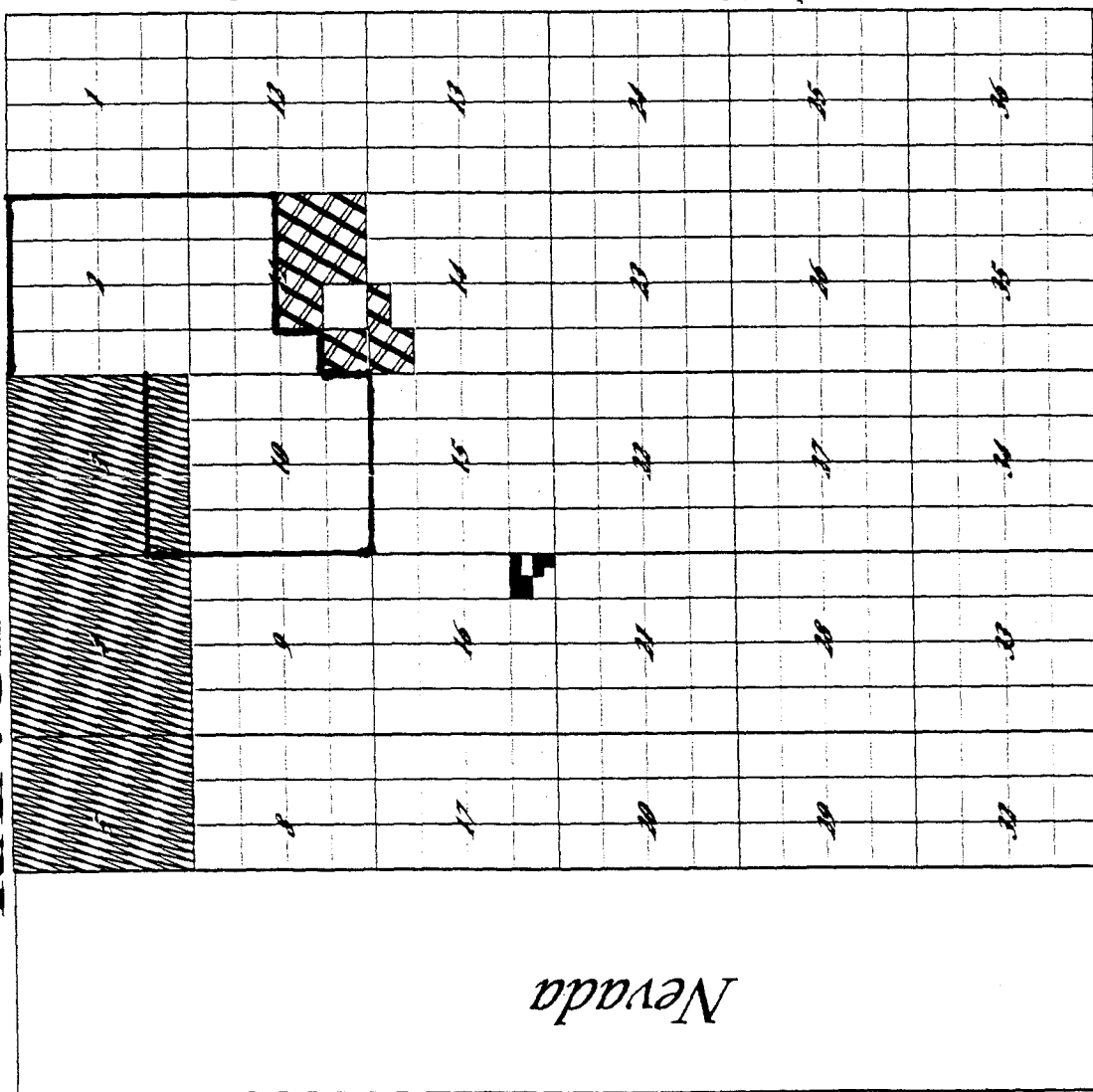
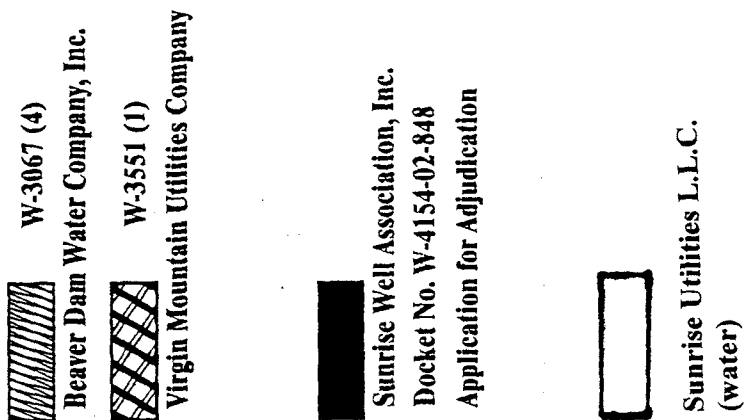
Phone No.:

702-860-1663

COUNTY: Mohave

RANGE 16 West

TOWNSHIP 39 North



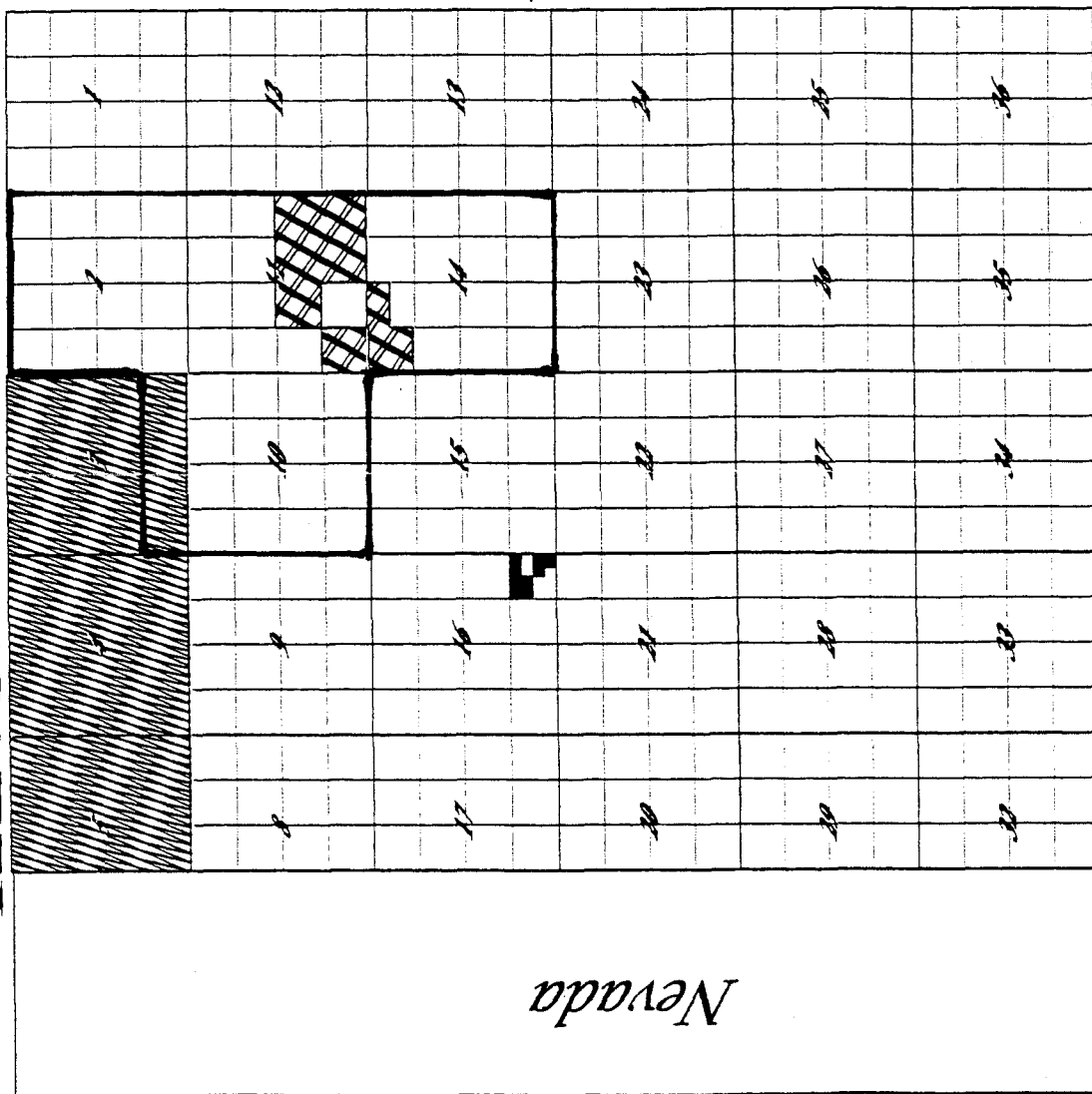
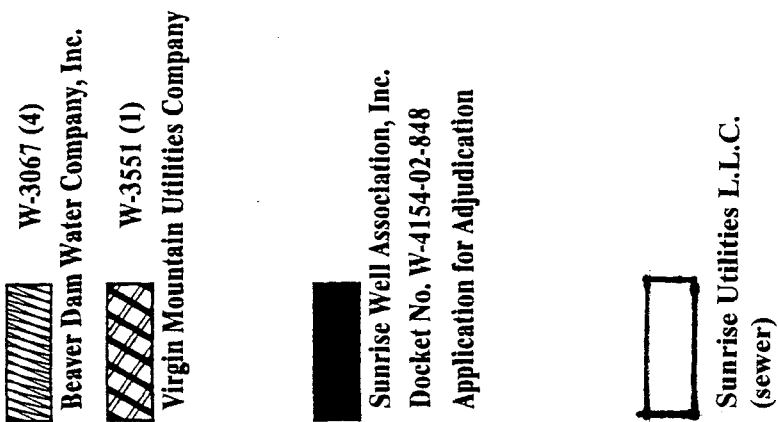
ATTACHMENT 2

EXHIBIT
A-2
Admitted 4-26-05

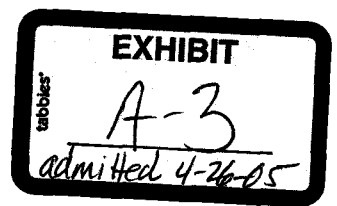
COUITY: Mohave

RANGE 16 West

TOWNSHIP 39 North



Nevada



SUNRISE UTILITIES, L.L.C.
Certificate of Convenience and Necessity Application
Docket No. _____

DELETION AREA

Section 3 of 16W 39N

| | |
|------------|-----|
| S/2 of S/2 | 160 |
|------------|-----|

REQUESTED AREA

Water Area

| | | |
|------------|--------------|-----|
| Section 2 | All | 640 |
| Section 3 | (As Deleted) | 320 |
| Section 10 | All | 640 |
| Section 11 | N2 | 320 |
| | NW4 of SW4 | 40 |

Sewer Area

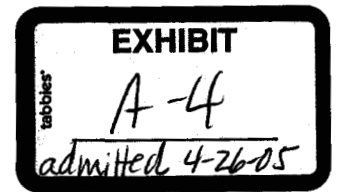
| | | |
|------------|--------------|-----|
| Section 2 | All | 640 |
| Section 3 | (As Deleted) | 320 |
| Section 10 | All | 640 |
| Section 11 | All | 640 |
| Section 14 | All | 640 |

All in Township 16W, Range 39N, G&SRB&M, Mohave County, Arizona

SALLQUIST & DRUMMOND, P.C.
ATTORNEYS AT LAW
TEMPE OFFICE
4500 S. LAKESHORE DRIVE
SUITE 339
TEMPE, ARIZONA 85282

RICHARD L. SALLQUIST

PHONE (602) 224-9222
FACSIMILE (480) 345-0412
E-MAIL dick@sd-law.com



February 23, 2005

Colleen Ryan
Arizona Corporation Commission
Docket Control
1200 West Washington Street
Phoenix, Arizona 85007

Re: Sunrise Utilities, L.L.C.; Docket No. W-04247A- 04- 0604

Dear Ms. Ryan:

The Procedural Order dated January 21, 2005 in this Docket requires publication of the Notice of the proceeding and filing an Affidavit to that effect.

Enclosed please find the original and 15 copies of that Affidavit. In the event you should have any question regarding this matter, please do not hesitate to contact the undersigned.

Sincerely,

A handwritten signature in dark ink, appearing to be "R. Sallquist".

Richard L. Sallquist

Enclosures

Cc: Steve Timinskas

STATE OF ARIZONA }
County of Mohave } ss.

Linda Delano, being first duly sworn, says that during the publication of the notice, as herein mentioned, he/she was and now is the Legal Clerk of the MOHAVE VALLEY DAILY NEWS, six times weekly newspaper published on Sunday, Monday, Tuesday, Wednesday, Thursday and Friday of each and every week at the city of Bullhead City, in said county.

That said newspaper was printed and published as aforesaid on the following dates, to-wit:

[illegible]

That the Public Power of
the Hearing

of which the annexed copy is a printed and true copy, was printed and inserted in each and every copy of said newspaper printed and published on the dates aforesaid, and in the body of said newspaper and not in a supplement thereto.

Subscribed and sworn to before me this 9th
day of February, 2015

Susan L. Indalson
Notary Public

(My commission expires: July 14 2011)

PUBLIC NOTICE OF THE HEARING
FOR SUNRISE UTILITIES, L.L.C.
FOR A CERTIFICATE OF
CONVENIENCE AND NECESSITY
TO PROVIDE WATER
AND WASTEWATER SERVICE
Docket No. WS-04247A-04-0604

On August 17, 2004, Sunrise Utilities, L.L.C. ("Applicant") filed an application for a CC&N to provide water and wastewater service to various parts of Mohave County, Arizona.

The application is available for inspection during regular business hours at the offices of the Commission in Phoenix, at 1200 West Washington Street, Phoenix, Arizona and at the Applicant's office, 2960 S. Scenic Boulevard, Littlefield, Arizona 86436

The Commission will hold a hearing on this matter commencing on April 26, 2005, at 11:00 a.m., at the Commission's offices, 1200 West Washington Street, Phoenix, Arizona. Public comments will be taken on the first day of the hearing.

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Intervention shall be permitted to any person entitled by law to intervene and having a direct and substantial interest in the matter. Persons desiring to intervene must file a written motion to intervene with the Commission, which motion should be sent to Applicant or its counsel and to all parties of record, and which, at the minimum, shall contain the following:

1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer of Applicant, a shareholder of Applicant, a competitor, etc.).
3. A statement certifying that a copy of the motion to intervene has been mailed to the Applicant or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before March 20, 2005.

**LEGAL DESCRIPTION OF PROPERTIES REQUESTING
WASTEWATER SERVICE FROM SUNRISE UTILITIES**

Township 39 North, Range 16 West, G & SRM, Mohave County, Arizona

| | |
|-----------|---------------------------|
| 40 Acres | SE ¼ SE ¼ Section 3 |
| 40 Acres | NW ¼ NW ¼ Section 11 |
| 40 Acres | NE ¼ NW ¼ Section 11 |
| 40 Acres | SE ¼ NW ¼ Section 11 |
| 10 Acres | SW ¼ SW ¼ NE ¼ Section 11 |
| 40 Acres | NW ¼ SW ¼ Section 11 |
| 40 Acres | NE ¼ SW ¼ Section 11 |
| 40 Acres | SE ¼ SW ¼ Section 11 |
| 160 Acres | SE ¼ Section 11 |
| 80 Acres | W ½ SE ¼ Section 10 |
| 80 Acres | E ½ NW ¼ Section 14 |
| 160 Acres | NE ¼ Section 14 |
| 20 Acres | N ½ NE ¼ SW ¼ Section 14 |
| 20 Acres | N ½ NW ¼ SE ¼ Section 14 |

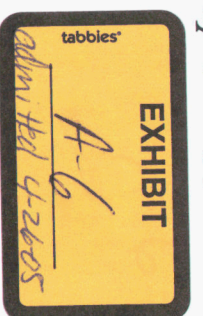
**LEGAL DESCRIPTION OF PROPERTIES REQUESTING
WATER SERVICE FROM SUNRISE UTILITIES**

Township 39 North Range 16 West, G&SRM, Mohave County, Arizona

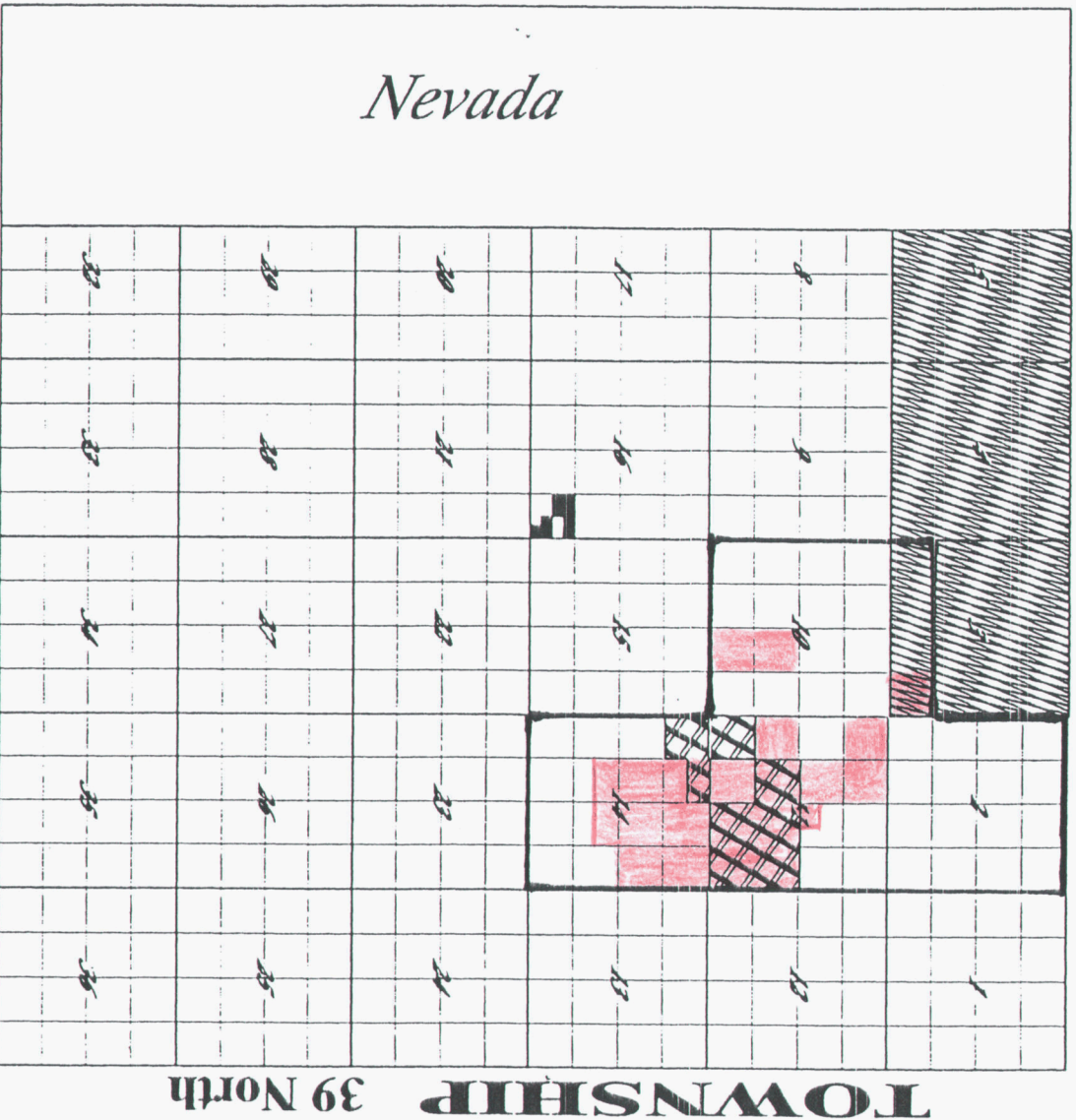
| | |
|-----------|----------------------|
| 40 Acres | SE ¼ SE ¼ Section 3 |
| 320 Acres | N ½ Section 11 |
| 40 Acres | NW ¼ SW ¼ Section 11 |
| 80 Acres | W ½ SE ¼ Section 10 |

COUNTY: Mohave

Map No. 35



RANGE 16 West



W-3067 (4)

Beaver Dam Water Company, Inc.

W-3551 (1)

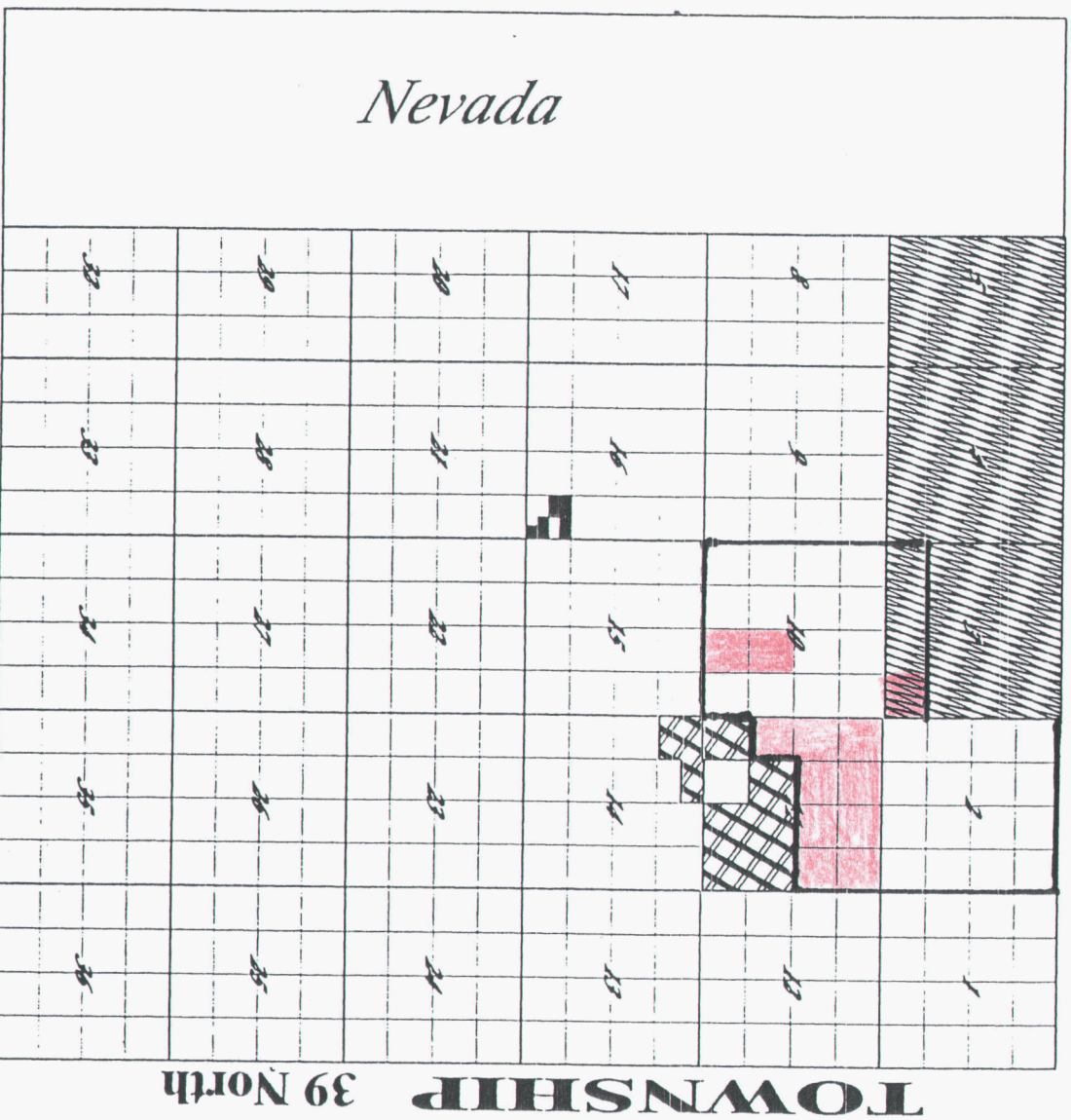
Virgin Mountain Utilities Company

Sunrise Well Association, Inc.
Docket No. W-4154-02-848
Application for Adjudication

Sunrise Utilities L.L.C.
(sewer)

COCONINO COUNTY Mohave

RANGE 16 West



W-3067 (4)

Beaver Dam Water Company, Inc.



W-3551 (1)

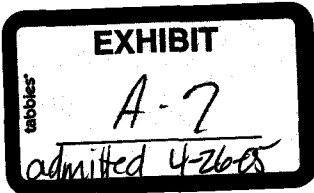
Virgin Mountain Utilities Company



Sunrise Well Association, Inc.
Docket No. W-4154-02-848
Application for Adjudication



Sunrise Utilities L.L.C.
(water)



NEW APPLICATION

COPY

A-7

RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

2004 MAR 23 P 4: 15

IN THE MATTER OF THE APPLICATION OF)
BEAVER DAM WATER COMPANY FOR AN)
ORDER OF THE COMMISSION DELETING)
A PORTION OF ITS WATER CERTIFICATE)
OF CONVENIENCE AND NECESSITY IN)
MOHAVE COUNTY ARIZONA)

DOCKET NO. W-03067-04-_____

APPLICATION FOR DELETION OF
A PORTION OF CERTIFICATE OF
CONVENIENCE AND NECESSITY

W-03067A-04-0216

1. Beaver Dam Water Company ("Beaver Dam" or the "Company") is an Arizona public service corporation authorized by the Commission to provide water service in portions of Mohave County, Arizona. The Company was authorized to provide the subject service pursuant to a Certificate of Convenience and Necessity issued by the Commission in Decision Nos. 59710 and 64662, dated June 26, 1996 and March 25, 2002 respectively.

2. Beaver Dam hereby requests that a portion of its certificate to be deleted and it be relieved of the obligation to provide water service in that area. The deleted area is more fully described on Exhibits A and B hereto. (the "Subject Area"). Beaver Dam has no customers or facilities in the Subject Area.

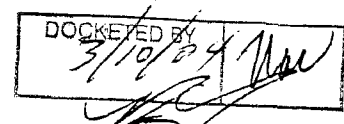
3. The Subject Area is a substantial distance from the closest water facilities owned by Beaver Dam, and is located across a very deep gorge with the Virgin River at the bottom. The distance and physical barrier make water service to the Subject Area by Beaver Dam very difficult, if not impossible or extraordinarily expensive. Beaver Dam has been advised that Sunrise Utilities, L.L.C. is ready, willing and able, to serve the water users in the Subject Area.

4. Beaver Dam is of the opinion that it is in the public interest for Sunrise Utilities, L.L.C. to provide service to the future customers in the Subject Area, and that such service would be equal to or better than the service that could be provided by Beaver Dam.

Arizona Corporation Commission

DOCKETED

MAR 23 2004



1 5. Beaver Dam is further of the opinion that the Commission may wish to consider this
2 Application in conjunction with the Docket for the pending Application by Sunrise Utilities,
3 L.L.C. Beaver Dam does not object to the consolidation of this matter with that Application.

4 6. Beaver Dam will provide notice to the property owners in the Subject Area as required
5 by Procedural Order of the Commission.

6 Wherefore, Beaver Dam respectfully requests that the Commission issue an order deleting
7 the Subject Area from the Certificate of Convenience and Necessity of Beaver Dam.

8 Respectfully submitted this 10 day of February, 2004.

9 BEAVER DAM WATER COMPANY

10 By: 

11 Its: DWS

12
13
14 Original and fifteen copies of the
15 foregoing filed this 23rd day
16 of ~~February~~, 2004, with:
March

17 Docket Control
18 Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

19 A copy of the foregoing filed this 23rd day
20 of ~~February~~, 2004, to:
March

21 Sunrise Utilities, L.L.C.
22 2960 S. Scenic Boulevard
23 Littlefield, Arizona 86432

3/10/04
[Signature]

Certificate of Convenience and Necessity Deletion Application
Docket No. W-03067-04-_____

DELETION AREA

Section 3 of 16W 39N

| | |
|-----------|-----------------|
| S2 of SW4 | 80 acres |
| S2 of SE4 | <u>80 acres</u> |
| Total | 160 acres |

All in Township 16W, Range 39N, G&SRB&M, Mohave County, Arizona

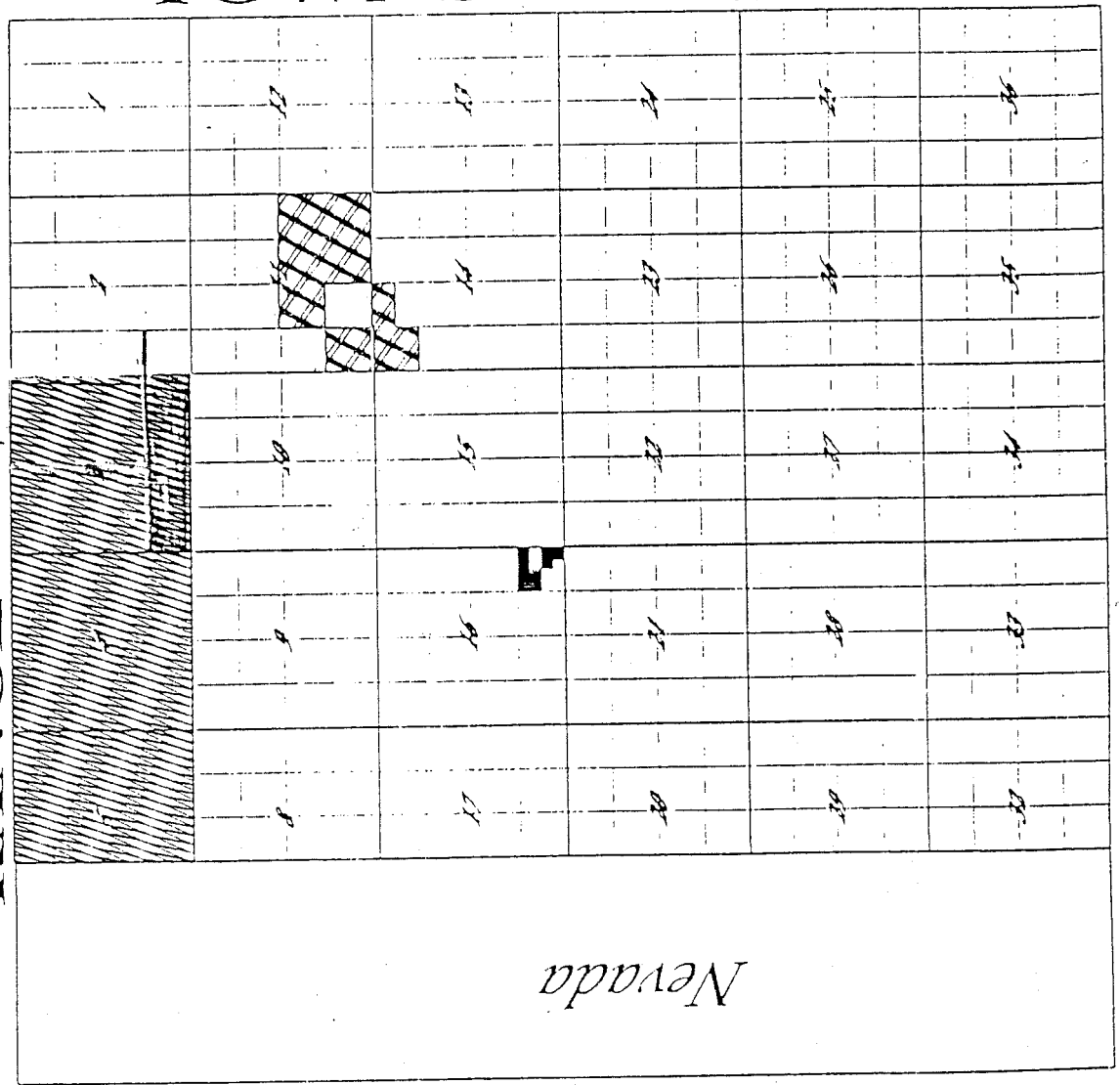
EXHIBIT A

3/10/04
[Signature]

COUINTEY Mohave

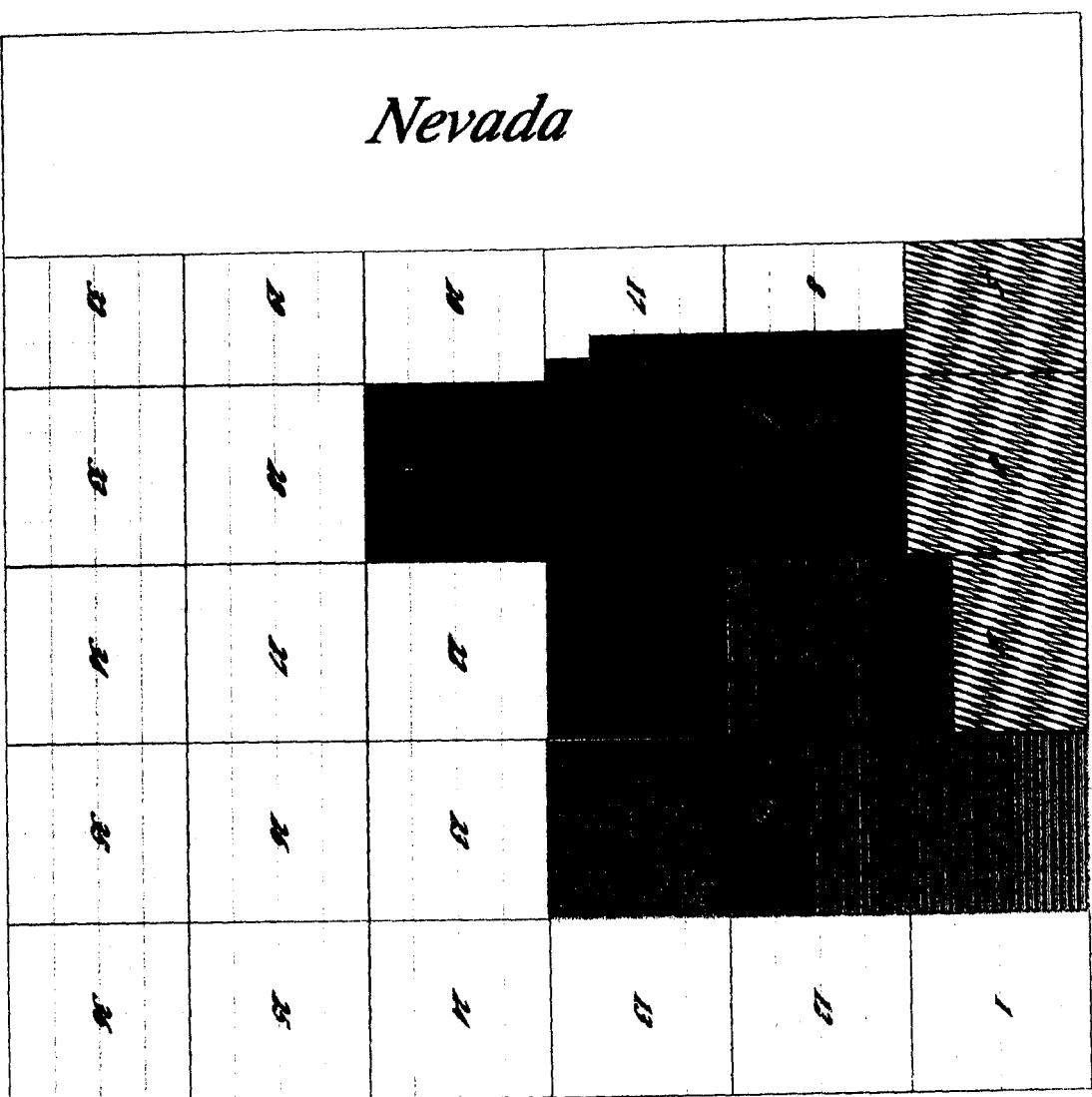
RANGE 16 West

TOWNSHIP 39 North



COUNTY: Mohave

RANGE 16 West



W-3067 (4)

Beaver Dam Water Company, Inc.



W-3551 (1)

Virgin Mountain Utilities Company



(1)

Sunrise Well Association, Inc. (Nonjurisdictional)



Beaver Dam Water Company, Inc.

Docket No. W-3067-04-216

Application for Detention *



Beaver Dam Water Company

Docket No. W-3067-04-445

Application for Extension



Sunrise Utilities, LLC

Docket No. WS-4247-04-604

Application for CCEN for Water



Sunrise Utilities, LLC

Docket No. WS-4247-04-604

Application for CCEN for Sewer



Virgin Mountain Utilities Company

Docket No. W-3551-04-325

Application for Extension

*The area being deleted in this application is being requested by Sunrise Utilities, LLC, in Docket No. WS-4247-04-604

MEMORANDUM

TO: Docket Control

FROM: Ernest C. *EC*son
Director
Utilities Division

RECEIVED

MAR 29 2005

DATE: March 28, 2005

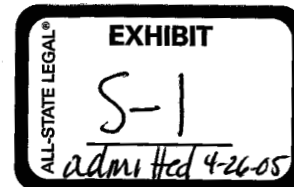
**LEGAL DIV.
ARIZ. CORPORATION COMMISSION**

RE: STAFF REPORT FOR SUNRISE UTILITIES, LLC, APPLICATION FOR A
CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER
AND WASTEWATER SERVICE TO A PORTION OF MOHAVE COUNTY
(DOCKET NO. WS-04247A-04-0604)

Attached is the Staff Report for Sunrise Utilities, LLC application for a Certificate of Convenience and Necessity ("CC&N") in Mohave County. Staff recommends the Commission approve the application for a CC&N with conditions.

EGJ:JEF:red

Originator: Jim Fisher



Service List for: Sunrise Utilities, LLC
Docket No. W-044264A-04-0438

Mr. Richard L. Sallquist
4500 South Lakeshore Drive
Suite 339
Tempe, Arizona 85282

Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

SUNRISE UTILITIES, LLC

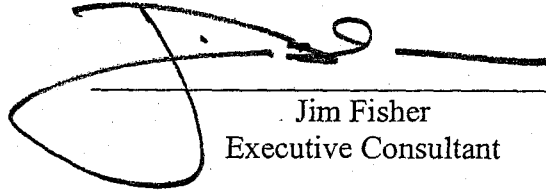
DOCKET NO WS-04247A-04-00604

**APPLICATION FOR A
CERTIFICATE OF CONVENIENCE
AND NECESSITY**

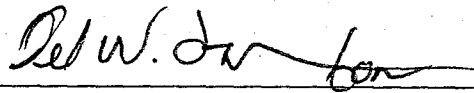
MARCH 2005

STAFF ACKNOWLEDGMENT

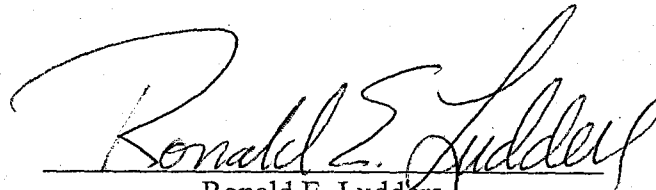
The Staff Report for Sunrise Utilities, LLC (Docket No. WS-04247A-04-0604) was the responsibility of the Staff members signed below. Jim Fisher was responsible for the review and analysis of the Company's application. Dorothy Hains was responsible for the engineering and technical analysis. Ronald Ludders was responsible for the review and recommendation on rate base and rate design.



Jim Fisher
Executive Consultant



Dorothy Hains
Utilities Engineer



Ronald E. Ludders
Public Utilities Analyst V

**EXECUTIVE SUMMARY
SUNRISE UTILITIES LLC
APPLICATION FOR A CC&N
DOCKET NO. WS-04247A-04-0604**

On August 17, 2004, Sunrise Utilities, LLC, ("Sunrise" or "Company") filed an Application for a Certificate of Convenience and Necessity ("CC&N") with the Arizona Corporation Commission ("ACC" or "Commission") to provide water and wastewater services to a portion of Mohave County. On January 18, 2005, the Commission's Utilities Division Staff ("Staff") informed Sunrise the application was sufficient for administrative purposes. A hearing was set for November.

Sunrise is an Arizona limited liability company in good standing with the Commission's Corporation Division. According to Sunrise, the utility was formed to serve the water and wastewater needs of proposed four subdivisions in the Scenic area. Sunrise is to be funded, owned and operated by a group of real estate developers. The developers anticipate 460 new single family residences in the next 3 to 5 years.

Staff recommends that the Commission approve the Sunrise Utilities, LLC, application for a Certificate of Convenience and Necessity in a portion of Mohave County to provide water service, subject to compliance with the following conditions:

Water

1. That the Commission find Sunrise Utilities, LLC, fair value of the property devoted to water service is \$348,324 as shown on Schedule REL-W-1.
2. That the Commission authorize Sunrise Utilities, LLC, the Staff's recommended water rates and charges shown on Schedule REL-W-2.
3. That the Commission require Sunrise Utilities, LLC, to file with Docket Control a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.
4. That the Commission require Sunrise Utilities, LLC, to file with Docket Control a copy of the Mohave County franchise agreement within 365 days of the decision in this matter.
5. That the Commission require Sunrise Utilities, LLC, to file with Docket Control a backflow prevention and curtailment tariff within 365 days of any decision in this matter.
6. That the Commission require Sunrise Utilities, LLC, to file with Docket Control a copy of the Arizona Department of Environmental Quality ("ADEQ") Approval to Construct within 365 days of any decision in this matter.

7. That the Commission requires Sunrise Utilities, LLC, to submit its ADEQ Certificate of Approval to Construct for arsenic treatment by October 31, 2005.
8. That the Commission require that the Company file with the Commission a copy of the developers' Letter of Adequate Water Supply, stating that there is adequate water supply, where applicable or when required by statute, within a year of the effective date of the final decision and order issued pursuant to this application.
9. That the Commission require Sunrise Utilities, LLC, to maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts for Water Utilities.
10. That the Commission require Sunrise Utilities, LLC,, to notify the Director of the Utilities Division within 30 days of initiating service to customers in the proposed service area.
11. That the Commission require Sunrise Utilities, LLC, to file a rate application no later than three months following the fifth anniversary of any decision in this matter.
12. That the Commission authorize Sunrise Utilities, LLC, to use the depreciation rates recommended by Staff.

Staff further recommends that the Commission's Decision granting this Certificate of Convenience and Necessity to Sunrise Utilities, LLC, be considered null and void without further order from the Commission should Sunrise Utilities, LLC, fail to meet Conditions 3, 4, 5, 6, 7 and 8 within the time specified.

Wastewater

Staff recommends that the Commission approve Sunrise Utilities, LLC, application for a Certificate of Convenience and Necessity to provide wastewater services, subject to the following conditions:

1. That the Commission find that Sunrise Utilities, LLC, fair value of the property devoted to wastewater service is \$723,281.
2. That the Commission authorize Sunrise Utilities, LLC, the Staff's recommended wastewater rates and charges shown on Schedule REL-WW-2.
3. That the Commission require Sunrise Utilities, LLC, to file with Docket Control a copy of the Mohave County franchise agreement within 365 days of the decision in this matter.
4. That the Commission require Sunrise Utilities, LLC, to file with Docket Control a copy of the Letter of Intent for the wastewater discharge permit issued by the Arizona

Department of Environmental Quality within 365 days of the effective date of the final decision and order issued pursuant to this application.

5. That the Commission require Sunrise Utilities, LLC, to file with Docket Control a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.
6. That the Commission require Sunrise Utilities, LLC, to file with Docket Control a rate application no later than three months following the fifth anniversary of any decision in this matter.
7. That the Commission require Sunrise Utilities, LLC, to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Water Utilities.
8. That the Commission require Sunrise Utilities, LLC, to notify the Director of the Utilities Division within 15 days of initiating service to customers in the proposed service area.
9. That the Commission authorize Sunrise Utilities, LLC, to use the depreciation rates as recommended by Staff.

Staff further recommends that the Commission's Decision granting this Certificate of Convenience and Necessity to Sunrise Utilities, LLC, be considered null and void without further order from the Commission should Sunrise Utilities, LLC, fail to meet Conditions 3, 4 and 5 within the time specified.

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Introduction

On August 17, 2004, Sunrise Utilities, LLC, ("Sunrise" or "Company") filed an Application for a Certificate of Convenience and Necessity ("CC&N") with the Arizona Corporation Commission ("ACC" or "Commission") to provide water and wastewater services to a portion of Mohave County.

On January 18, 2005, the Commission's Utilities Division Staff ("Staff") informed Sunrise the application was sufficient for administrative purposes. A hearing was set for November.

Sunrise Background

Sunrise is an Arizona limited liability company in good standing with the Commission's Corporation Division. Sunrise is owned by Mr. Timinskas, Mr. Lee, Mr. Ral and Mr. Helbert, area developers seeking to ensure water and wastewater facilities are available for future development.

According to Sunrise, the utility was formed to serve the water and wastewater needs of proposed subdivisions in the Scenic area. Sunrise is to be funded, owned and operated by a group of real estate developers who have been active in the area for some time. The developers have acquired property and developed ten (10) water wells in anticipation of development.

The developers have made plans to provide water and wastewater service to four (4) planned subdivisions along Scenic Boulevard. The developers anticipate 460 new single family residences in the next 3 to 5 years.

Sunrise is requesting to serve water in the southern quarter of Section 3, the north half of Section 11, and all of Sections 2 and 10 of Township 16 West, Range 39 East.

Sunrise is requesting to serve wastewater in the southern quarter of Section 3 and all of Sections 2, 10, 11 and 14 of Township 16 West, Range 39 East.

Request for Service

Sunrise is requesting Commission authorization to certificate approximately 2,880 acres for wastewater service and 1,920 acres for water service.

In support of the Company's application, Sunrise has provided requests for service for approximately 714 acres of the requested territory.

The Company is requesting all of Section 2, but has not provided any request for service for water or wastewater service in Section 2. The Company has requested all of Section 10, but

has only received a request to serve 80 acres. The Company has requests to serve 200 acres of Section 14, and 405 acres of Section 11.

The southern quarter of Section 3, Township 16 West, Range 39 East is certificated for water service to Beaver Dam Water Company.

To obtain a CC&N, the applicant is required to establish the necessity of the public service company by providing a request for service by showing that growth is imminent in the area to be served, or the area is necessary for the proper and sufficient operation of the company. To the extent the Company has not demonstrated a need for certificating territory, Staff is unable to recommend approval of all territory requested by the utility which is not supported by a demonstration of necessity.

Staff recommends Sunrise provide a legal description and map of the requested properties to enable the Commission to authorize a CC&N for the requested territory only.

The Water System

The Company proposes a water system of two (2) wells with a capacity of 300 gallons-per-minute ("GPM") each. The system is also to have a storage tank of 150,000 gallons, and three (3) booster pumps. The water system is designed to meet fire-flow and serve 600 customers within the first five (5) years of operations.

Staff's analysis concludes that the proposed water system will have adequate production and storage capacity to serve the proposed CC&N area within a conventional five (5) year planning period. Staff also believes it is reasonable to expect that the Company will develop additional storage and production when required in the future.

Arsenic

The U. S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter ("µg/l") to 10 µg/l. The date for compliance with the new MCL is January 23, 2006.

The most recent lab analysis provided by the Company indicates that the arsenic levels in both wells exceed the MCL. Sunrise has informed Staff that the Company plans to install treatment facilities.

Sunrise has not obtained Arizona Department of Environmental Quality ("ADEQ") review and approval of the proposed arsenic treatment facilities. Staff recommends that the Commission condition approval of this application on Sunrise submitting ADEQ's approval of its proposed arsenic treatment facilities by October 31, 2005.

Arizona Department of Environmental Quality Capacity Development

ADEQ Capacity Development rules, effective September 23, 1999, require new public drinking water systems to meet (1) financial capacity, (2) managerial capacity, and (3) technical capacity requirements. ADEQ will accept a financial determination made by this Commission as meeting the financial capacity requirements for new water systems under the jurisdiction of the Commission. The technical and managerial capability is determined by ADEQ. All three components are combined in the final approval of the water company's "elementary business plan", pursuant to ADEQ rule R-18-4-606.

The three components are reviewed and approved sequentially, with the technical capacity approval and "Approval to Construct" being the last performed. The Approval to Construct acts as a control point in the process, and once an Approval to Construct has been issued, it can be assumed that the water company has complied with the capacity development rules. Therefore, it is recommended that Sunrise submit a copy of the ADEQ "Approval to Construct" within one year of the effective date of the final decision and order in this matter.

Arizona Department of Water Resources

Sunrise is not located within any Active Management Area. Staff recommends the Commission condition approval of this application on Sunrise filing a copy of the developers' Letter of Adequate Water Supply stating that there is adequate water to serve the proposed customers, where applicable or when required by statute, within one year of the effective date of the final decision and order in this matter.

Special Service Tariffs

A "Curtailment Plan Tariff" is an effective tool to allow a water company to manage its resources during periods of water shortages due to pump breakdowns, droughts, or other unforeseeable events. A "Cross Connection/Backflow Tariff" gives a private water utility the means and authority to implement a cross connection program as required by Arizona Revised Statutes and Administrative Codes. The cross connection tariff provides for the installation and testing of backflow devices and provides for corrective actions where cross connection hazards exist. Since Sunrise does not yet have either a curtailment tariff or cross connection tariff, this CC&N application provides an opportune time to prepare and file such tariffs.

Therefore, Staff recommends that the Company docket a curtailment tariff and a cross connection tariff within 90 days after the effective date of any decision and order pursuant to this application. The tariffs shall be filed with Docket Control for review and certification by Staff. Staff also recommends that the tariffs shall generally conform to the sample tariffs found posted on the Commission's web site (www.cc.state.az.us/utility/water/forms.htm) or available upon request from Commission Staff.

Water System Cost Analysis

The Company has provided estimated costs for construction of the proposed system. Staff's recommended adjustments to the Company's cost estimates are listed in the right-hand column of the table below:

| NARUC Account | Description | Company's cost estimate (\$) | Staff adjusted cost estimate (\$) |
|---------------|--|---|---|
| 301 | Organization | 15,000 | 0 |
| 302 | Franchise | 500 | 0 |
| 303 | Land & Land Rights: Parcel for tank site (220'x120') Parcel for well site (120' x 55') | 40,000 | 40,000 |
| 304 | Structure & Improvements: 1,380' of fencing Well enclosure Power panel and interconnect Site grading | 16,560 30,000 60,000 0 | 13,800 (@ \$10/ft) 30,000 0 5,000 |
| 307 | Wells: Two wells (10" casing, 286' deep) Power panel and interconnect | 28,000 0 | 28,000 60,000 |
| 310 | Power Generation Equipment: One 45 KVA on-site generator | 45,000 | 27,000 (one 50 KW generator) |
| 311 | Pumping Equipment: Pumps Control /pipes | 100,000 54,710 | 50,000 20,000 |
| 320 | Water treatment plant | 5,000 | 5,000 |
| 330 | Reservoirs/ Standpipes: 150,000 gal storage tanks Site grading Piping and appurtenances | 360,000 (Two @ \$180,000 /unit) 5,000 10,000 | 150,000 (One @ \$150,000/unit) 0 10,000 |
| 331 | Mains & Transmission: 5,000' of 8" PVC | 65,000 | 65,000 |
| 333 | Service lines: 150 residential units | 75,000 | 75,000 |
| 335 | Fire hydrants | 24,200 (11 FH @ \$2,200/unit) | 19,800 (11 FH @ \$1,800/ unit) |
| 336 | Backflow prevention devise | 50,000 (ten 6" @ \$5,000/unit) | 10,000 (two 6" @ \$5,000/ unit) |

| | | | |
|-----|-------------------------------|----------------|----------------|
| 339 | Miscellaneous Plant Equipment | 2,500 | 2,500 |
| 340 | Office Furniture and fixtures | 0 | 0 |
| 344 | Lab equipment | 4,000 | 4,000 |
| | | | |
| | Total | 990,470 | 615,100 |

The Company's estimated water system costs after Staff adjustments appear reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for rate base. No "used and useful" determination of the proposed plant in service was made, and no conclusions should be inferred for rate making or rate base purposes.

Proposed Water Rates

Sunrise is requesting initial water rates of a monthly minimum of \$18.00 with a two tiered rate structure. Sunrise's proposed usage rates are \$2.50 per 1,000 gallons up to 7,000 gallons, increased to \$2.75 per 1,000 gallons, for usage in excess of 7,000. (See Schedule CSB-4 Attached).

Staff is recommending a \$28.00 monthly minimum charge and three tiered commodity rate plan. Staff's proposed usage are \$2.50 per 1,000 gallons, up to 3,000 gallons, \$3.75 per 1,000 gallons up to 8,000 gallons of usage, and \$4.50 for each 1,000 gallons thereafter. Staff's proposed rates are designed to encourage conservation and be consistent with projected revenue levels.

The application contains pro forma revenues and expenses. Staff made adjustments as reflected in Attachment 3, Schedule REL W-1. Staff believes the projected expenses appear reasonable. The Company estimates water revenue of \$34,548 with associated expenses of \$40,803 resulting in an operating loss of \$6,255 for the first year of operations. The Company estimates \$120,918 in third year revenue, associated expenses of \$98,475 resulting in an operating income of \$22,443 for the year. The Company estimates \$207,288 in fifth year revenue, with related expenses of \$162,438, resulting in projected operating income of \$44,480 for the year. (See Schedule REL-W-1, attached).

Section 208 Plan Approval

The Federal Water Pollution Control Act as amended by the Water Quality Act of 1987 ("Clean Water Act") is a commitment by the federal government to the elimination of pollution in the nation's waters. Each state is required, under Section 208 of the Clean Water Act, to develop and implement area-wide water quality management plans for pollution control.

In Arizona, six (6) Councils of Government, ("COGs") have been designated by the Governor as "Water Quality Management Planning Agencies" under Section 208, of the Clean Water Act. Mohave County ("The County") is designated by the Governor and the EPA as the area wide water quality management planning agency for Mohave County.

The guidelines for 208 planning set forth in the Clean Water Act are fairly broad so that the various water quality issues in different areas of the nation can be addressed appropriately. Each 208 Plan must identify the water quality management needs in its planning area and provide a program to develop solutions. The County 208 planning process is an ongoing effort in response to changing water resource issues, regulations, treatment technologies and changing demographics.

On the federal level, the EPA has the responsibility of overseeing the planning efforts necessary to meet the specific requirements of Section 208. ADEQ administers both the basin-wide planning and water quality monitoring programs. In addition, ADEQ is responsible for reviewing and enforcing water quality standards for the State. For the County 208 Program, the EPA and ADEQ provides guidance in the terms of policy, procedure and review of documents to assure adherence to the requirements of the Clean Water Act.

A major effort of the 208 Plan is the Point Source Plan. Point Source Planning is primarily directed at compiling the preferred wastewater collection and treatment system for the affected area through the year 2020. Toward that end, the Point Source Plan examines population and wastewater flow projections, wastewater treatment plant siting, treatment methods, effluent disposal, reclaimed water reuse and sludge management.

ADEQ Permits

The objective of a Point Source Plan is to identify the preferred wastewater collection and treatment and effluent reuse or disposal systems for the affected area. The regulatory framework for management of water quality is comprised of permit compliance and monitoring of protected uses. The ADEQ defines, monitors and enforces water quality standards for protected uses of surface waters, aquifers and public water supplies. The ADEQ permit framework for point source management consists of three primary elements consisting of the Arizona Pollutant Discharge Elimination System ("AZPDES") the Aquifer Protection Permit ("APP") and the reclaimed water reuse permit program.

The purpose of the AZPDES permit programs is to regulate the quality of point source discharges into the waters of the nation. Based on specific criteria, discharges to rivers, tributaries to the rivers, dry washes and various lakes and canals within the affected area are subject to the AZPDES permit program provisions.

The ADEQ has established Surface Water Quality Standards ("SWQS") as required to meet the goals of the federal Clean Water Act and to protect the quality of surface waters in the state. The EPA incorporates the SWQS and federal regulation related to surface water quality and effluent discharge quality into the AZPDES permits. Pollutant levels established by the AZPDES permit programs vary among wastewater reclamation facilities depending upon the designated use of reclaimed water. Permits are typically issued for a term of five years.

Aquifer Protection Permit

The APP was established by the Environmental Quality Act of 1986 and implemented by rule in 1989. The purpose of the APP program is to protect the groundwater quality and public health from potential environmental risks posed by the facilities that discharge pollutants to the land surface, underlying soil, or groundwater that have a potential to reach an aquifer.

The APP permitting requirements are determined based on the type of facility or land use, capacity of the facility, and/or the type of discharges that the facility will produce. The most crucial requirements for obtaining an APP are demonstrating that the Best Available Demonstrated Control Technology ("BADCT") will be used to minimize the discharge of pollutants, Aquifer Water Quality Standards will not be violated and that the facility possesses the financial and technical capability to comply with the permit conditions.

The Environmental Quality Act requires that all domestic wastewater and disposal facilities requiring an APP use BADCT as part of their wastewater treatment process. The ADEQ adopted BADCT requirements for new sewage treatment facilities. The design review of sewage treatment facilities has been consolidated into the APP application review process. BADCT requirements are defined within the rules which require secondary treatment, removal for new facilities and expansion of existing facilities. The revision of the APP rule took effect January 2001.

The reclaimed water use permit program, established in 1985, allows the reuse of reclaimed water for a variety of applications such as agriculture, urban lakes, golf course irrigation, ponds and industrial uses. Water reclamation plants are required by rules to have a reuse permit for the release of reclaimed water for reuse purposes.

There are two main categories of reclaimed water reuse including direct non-potable reuse and indirect reuse. Direct reuse consists of irrigation and makeup water for urban lakes. Indirect reuse typically involves aquifer recharge and recovery. The indirect reuse of reclaimed water usually involves recharge to an aquifer for storage and future recovery. The reclaimed water is typically allowed to infiltrate through the dry soils above the aquifer allowing additional treatment. Recharge projects using reclaimed water are required to obtain an APP.

Sunrise Wastewater System

Sunrise proposes an on-site wastewater treatment and disposal system. The treatment and disposal system will consist of 150,000 gallons per day ("GPD") treatment plant manufactured by the Mar-Wood and two unlined evaporation/transportation ponds. The plant is also equipped with chlorination and dechlorination equipment. The Company will expand the disposal system to include six unlined ponds when needed in the future.

Based on information provided, Staff believes that Sunrise can design and construct adequate wastewater collection and treatment facilities. However, because of the limitations and

uncertainties about effluent disposal, Staff cannot state that Sunrise has demonstrated the ability to dispose of its wastewater effluent at the ultimate build out. Staff also believes that the proper venue for this demonstration is the permit process of the ADEQ.

ADEQ has not approved the proposed on-site wastewater treatment and disposal system. Staff recommends that Sunrise Utilities Company submit a copy of the Letter of Intent for the wastewater discharge permit that will be issued by the ADEQ within one year of the effective date of the final decision and order issued pursuant to this application.

Staff's recommended adjustments to the Company's cost estimates are listed in the right-hand column of the table below:

| NARUC Account | Description | Company's cost estimate (\$) | Staff adjusted cost estimate (\$) |
|---------------|---|--|---|
| 351 | Organization | 0 | 0 |
| 352 | Franchise | 0 | 0 |
| 353 | Land & Land Rights: Parcel of land 420'x400' | 60,000 | 60,000 |
| 354 | Structure & Improvements: 1,900' of fencing Tool/ Equipment shed Site grading Two evaporation lagoons (88' W, 100' L & 7' deep each) & four (33' W & 33' L) ponds | 22,800 6,000 0 0 | 19,000 (@ \$10/ft) 6,000 75,000 25,000 (for two 88'x100'x7' ponds @\$12,500/unit)) |
| 355 | Power Generation Equipment: Emergency generator (45 KVA) | 40,000 | 27,000 (one 50 KW generator) |
| 361 | Collection Sewer – Gravity fed (from Scenic Area to Elbow Canyon): 2,500' of 15" PVC, 2,600' of 12" PVC, 5,300' of 8" PVC, 24 manholes | 80,000 (@ \$32/ft) 59,800 (@ \$23/ft) 63,600 (@ \$12/ft) 43,200 (@\$1,800/MH) | 80,000 59,800 63,600 33,600 (@1,400/ 4'-Dimeter MH) |
| 363 | Service laterals: 150 residential lots | 52,500 | 52,500 |
| 367 | Meter Installation: One Parshall flume/ automatic flow recorder | 10,000 | 10,000 |
| 370 | Receiving wells: One wet well Dist Box/ Headworks/Bar screen/ | 50,000 20,000 | 50,000 20,000 |

| | | | |
|-----|---|-----------------------------------|-----------------------------------|
| 380 | Treatment & disposal Equipment: 150,000 GPD treatment plant | 300,000 (two @ \$150,000/unit) | 150,000 (one @ \$150,000/unit) |
| | Site grading | 75,000 | 0 |
| | evaporation lagoons | 75,000 (six @ \$12,500/unit) | 0 |
| | power to site | 20,000 | 20,000 |
| | chemical feeder | 10,000 | 10,000 |
| 381 | Plant Services lines: Piping and valves | 31,007 | 31,000 |
| 394 | Lab equipment | 5,000 | 5,000 |
| 397 | Miscellaneous Plant Equipment | 10,000 | 10,000 |
| | | | |
| | Total | 1,033,907 | 807,500 |

Proposed Rates

Sunrise is requesting initial wastewater rates of a monthly minimum of \$33.00. Staff is recommending initial wastewater of \$28.00. (See Schedule REL-WW-2, attached).

The application contains pro forma revenues and expenses. Staff believes the projected expenses appear reasonable. Sunrise estimates wastewater revenue of \$16,800 with associated expenses of \$37,779 resulting in an operating loss of \$20,979 for the first year of operations. Sunrise estimates \$96,600 in third year revenue, associated expenses of \$72,251 resulting in an operating income of \$24,349 for the year. The Company estimates \$180,600 in fifth year revenue, with related expenses of \$117,602, resulting in projected operating income of \$62,998 for the year. (See Schedule REL-WW-1, attached).

Depreciation Rates

Water System

Staff has developed typical and customary depreciation rates within a range of anticipated equipment life. These rates are presented in Table 1, and it is recommended that the Company use the depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category, as delineated in this table.

Table 1
Water Depreciation Rates

| Acct. No. | Depreciable Plant | Average Service Life (Years) | Annual Accrual Rate (%) |
|-----------|--------------------------------------|------------------------------|-------------------------|
| 304 | Structures & Improvements | 30 | 3.33 |
| 305 | Collecting & Impounding Reservoirs | 40 | 2.50 |
| 306 | Lake, River, Canal Intakes | 40 | 2.50 |
| 307 | Wells & Springs | 30 | 3.33 |
| 308 | Infiltration Galleries | 15 | 6.67 |
| 309 | Raw Water Supply Mains | 50 | 2.00 |
| 310 | Power Generation Equipment | 20 | 5.00 |
| 311 | Pumping Equipment | 8 | 12.5 |
| 320 | Water Treatment Equipment | | |
| 320.1 | Water Treatment Plants | 30 | 3.33 |
| 320.2 | Solution Chemical Feeders | 5 | 20.0 |
| 330 | Distribution Reservoirs & Standpipes | | |
| 330.1 | Storage Tanks | 45 | 2.22 |
| 330.2 | Pressure Tanks | 20 | 5.00 |
| 331 | Transmission & Distribution Mains | 50 | 2.00 |
| 333 | Services | 30 | 3.33 |
| 334 | Meters | 12 | 8.33 |
| 335 | Hydrants | 50 | 2.00 |
| 336 | Backflow Prevention Devices | 15 | 6.67 |
| 339 | Other Plant & Misc Equipment | 15 | 6.67 |
| 340 | Office Furniture & Equipment | 15 | 6.67 |
| 340.1 | Computers & Software | 5 | 20.00 |
| 341 | Transportation Equipment | 5 | 20.00 |
| 342 | Stores Equipment | 25 | 4.00 |
| 343 | Tools, Shop & Garage Equipment | 20 | 5.00 |
| 344 | Laboratory Equipment | 10 | 10.00 |
| 345 | Power Operated Equipment | 20 | 5.00 |
| 346 | Communication Equipment | 10 | 10.00 |
| 347 | Miscellaneous Equipment | 10 | 10.00 |
| 348 | Other Tangible Plant | ---- | ---- |

Wastewater System

Staff has developed typical and customary depreciation rates within a range of anticipated equipment life. These rates are presented in Table 2, and it is recommended that the Company use the depreciation rates by individual NARUC category, as delineated in this table.

Table 2
DEPRECIATION RATES FOR WASTEWATER SYSTEM

| Acct. No. | Depreciable Plant | Average Service Life (Years) | Annual Accrual Rate (%) |
|--------------|---|------------------------------------|-------------------------------|
| 354 | Structures & Improvements | 30 | 3.33 |
| 355 | Power Generation Equipment | 30 | 3.33 |
| 360 | Collection Sewers – Force | 50 | 2.00 |
| 361 | Collection Sewers – Gravity | 50 | 2.00 |
| 362 | Special Collecting Structures | 50 | 2.00 |
| 363 | Services to Customers | 50 | 2.00 |
| 364 | Flow Measuring Devices | 10 | 10.00 |
| 365 | Flow measuring Installations | 20 | 5.00 |
| 366 | Reuse Services | 50 | 2.00 |
| 367 | Reuse Meters and Meter Installations | 30 | 3.33 |
| 370 | Receiving Wells | 30 | 3.33 |
| 371 | Pumping Equipment | 10 | 10.00 |
| 374 | Reuse Distribution Reservoirs | 40 | 2.50 |
| 375 | Reuse Transmission and Distribution System | 50 | 2.00 |
| 380 | Treatment and Disposal Equipment | 20 | 5.00 |
| 381 | Plant Sewers | 20 | 5.00 |
| 382 | Outfall Sewer Lines | 25 | 4.00 |
| 389 | Other Plant & Misc Equipment | 15 | 6.67 |
| 390 | Office Furniture & Equipment | 15 | 6.67 |
| 390.1 | Computers & Software | 5 | 20.00 |
| 391 | Transportation Equipment | 5 | 20.00 |
| 392 | Store Equipment | 25 | 4.00 |
| 393 | Tools, Shop & Garage Equipment | 20 | 5.00 |
| 394 | Laboratory Equipment | 10 | 10.00 |
| 395 | Power Operated Equipment | 20 | 5.00 |
| 396 | Communication Equipment | 10 | 10.00 |
| 397 | Miscellaneous Equipment | 10 | 10.00 |
| 398 | Other Tangible Plant | ---- | ---- |

County Franchise

Sunrise has not obtained a county franchise for water or wastewater service.

Staff Recommendations

Staff recommends that the Commission approve the Sunrise Utilities, LLC, application for a Certificate of Convenience and Necessity in a portion of Mohave County to provide water service, subject to compliance with the following conditions:

Water

1. That the Commission find Sunrise Utilities, LLC, fair value of the property devoted to water service is \$348,324 as shown on Schedule REL-W-1.
2. That the Commission authorize Sunrise Utilities, LLC, the Staff's recommended water rates and charges shown on Schedule REL-W-2.
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Staff further recommends that the Commission's Decision granting this Certificate of Convenience and Necessity to Sunrise Utilities, LLC, be considered null and void without further order from the Commission should Sunrise Utilities, LLC, fail to meet Conditions 3, 4, 5, 6, 7 and 8 within the time specified.

Wastewater

Staff recommends that the Commission approve Sunrise Utilities, LLC, application for a Certificate of Convenience and Necessity to provide wastewater services, subject to the following conditions:

1. That the Commission find that Sunrise Utilities, LLC, fair value of the property devoted to wastewater service is \$723,281.
2. That the Commission authorize Sunrise Utilities, LLC, the Staff's recommended wastewater rates and charges shown on Schedule REL-WW-2.
3. That the Commission require Sunrise Utilities, LLC, to file with Docket Control a copy of the Mohave County franchise agreement within 365 days of the decision in this matter.
4. That the Commission require Sunrise Utilities, LLC, to file with Docket Control a copy of the Letter of Intent for the wastewater discharge permit issued by the Arizona Department of Environmental Quality within 365 days of the effective date of the final decision and order issued pursuant to this application.
5. That the Commission require Sunrise Utilities, LLC, to file with Docket Control a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.

6. That the Commission require Sunrise Utilities, LLC, to file with Docket Control a rate application no later than three months following the fifth anniversary of any decision in this matter.
7. That the Commission require Sunrise Utilities, LLC, to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Water Utilities.
8. That the Commission require Sunrise Utilities, LLC, to notify the Director of the Utilities Division within 15 days of initiating service to customers in the proposed service area.
9. That the Commission authorize Sunrise Utilities, LLC, to use the depreciation rates as recommended by Staff.

Staff further recommends that the Commission's Decision granting this Certificate of Convenience and Necessity to Sunrise Utilities, LLC, be considered null and void without further order from the Commission should Sunrise Utilities, LLC, fail to meet Conditions 3, 4 and 5 within the time specified.

MEMORANDUM

TO: Jim Fisher
Executive Consultant II
Utilities Division

FROM: Barb Wells
Information Technology Specialist
Utilities Division

THRU: Del Smith
Engineering Supervisor
Utilities Division

DATE: August 27, 2004

RE: **SUNRISE UTILITIES, LLC (DOCKET NO. WS-04247A-04-0604)**

The area requested by Sunrise Utilities for a CC&N has been plotted using the legal description provided with the application (a copy of which is attached). A portion of the area being requested is already certificated to Beaver Dam Water Company; however, Beaver Dam has a separate application requesting that the conflicting portion be deleted from its CC&N.

Also attached is a copy of the map for your files.

:bsw

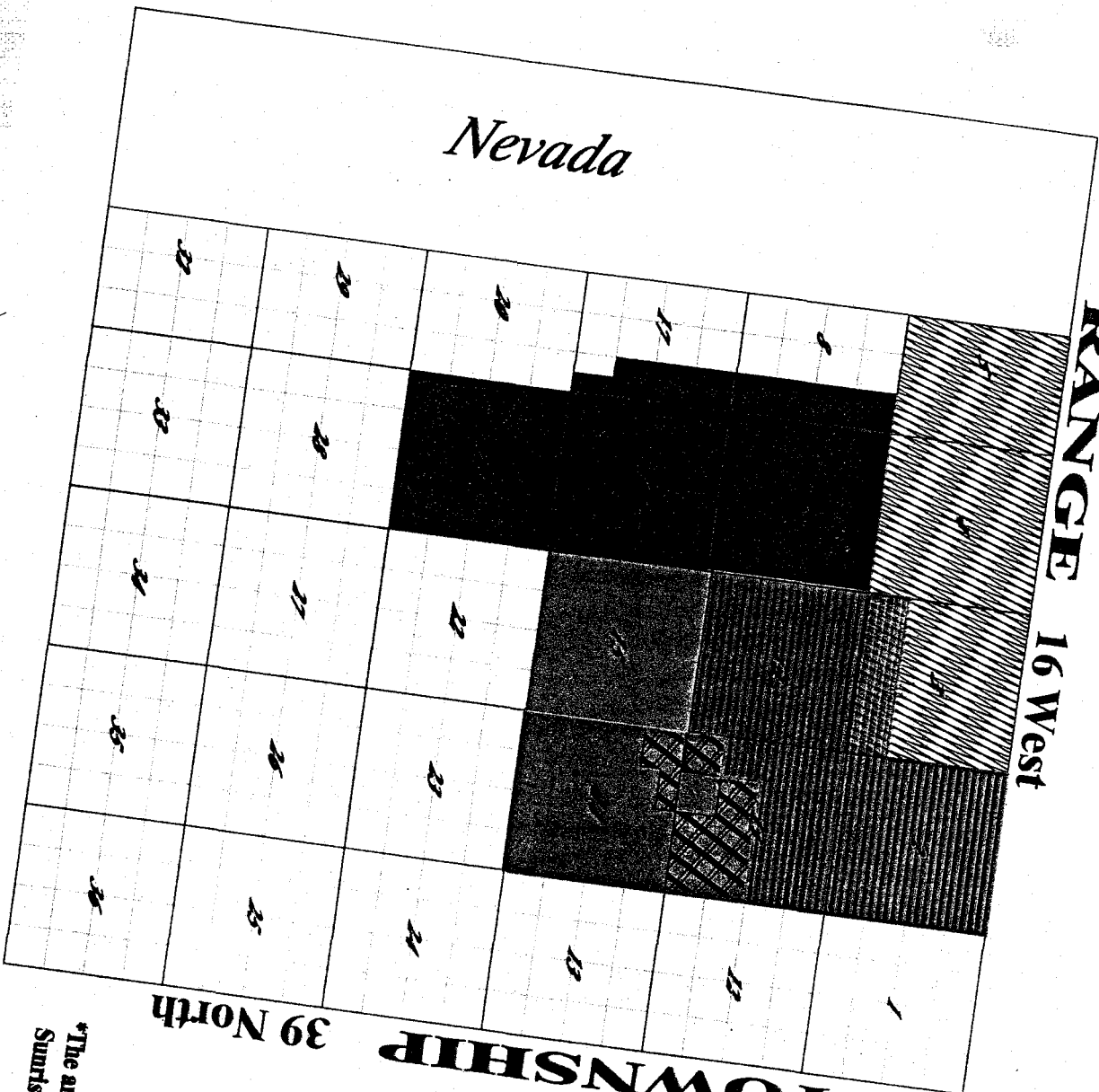
Attachments






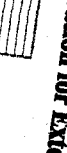
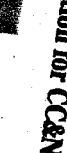
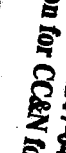
cc: Docket Control
Mr. Richard Sallquist
Ms. Deb Person (Hand Carried)
File

COUNTY: Mohave

Map No. 5

RANGE 16 West



-  W-3067 (4)
Beaver Dam Water Company, Inc.
-  W-3551 (1)
Virgin Mountain Utilities Company
-  (1)
Sunrise Well Association, Inc. (Nonjurisdictional)
-  Beaver Dam Water Company, Inc.
Docket No. W-3067-04-216
Application for Deletion *
-  Beaver Dam Water Company
Docket No. W-3067-04-445
Application for Extension
-  Sunrise Utilities, LLC
Docket No. WS-4247-04-604
Application for CC&N for Water
-  Sunrise Utilities, LLC
Docket No. WS-4247-04-604
Application for CC&N for Sewer
-  Virgin Mountain Utilities Company
Docket No. W-3551-04-325
Application for Extension

*The area being deleted in this application is being requested by Sunrise Utilities, LLC, in Docket No. WS-4247-04-604

SUNRISE UTILITIES, L.L.C.
Certificate of Convenience and Necessity Application
Docket No. _____

DELETION AREA

Section 3 of 16W 39N

| | |
|------------|-----|
| S/2 of S/2 | 160 |
|------------|-----|

REQUESTED AREA

Water Area

| | | |
|------------|--------------|-----|
| Section 2 | All | 640 |
| Section 3 | (As Deleted) | 160 |
| Section 10 | All | 640 |
| Section 11 | N2 | 320 |
| | NW4 of SW4 | 40 |

Sewer Area

| | | |
|------------|--------------|-----|
| Section 2 | All | 640 |
| Section 3 | (As Deleted) | 160 |
| Section 10 | All | 640 |
| Section 11 | All | 640 |
| Section 14 | All | 640 |

All in Township 16W, Range 39N, G&SRB&M, Mohave County, Arizona

MEMORANDUM

DATE March 24, 2005
TO: James E. Fisher
FROM: Dorothy Hains DH
RE: Water & Wastewater CC&N Application for Sunrise Utilities, LLC
Docket No. WS-04247A-04-0604

I. Introduction

Sunrise Utilities, LLC ("Sunrise" or "Company") has submitted a Certificate of Convenience and Necessity (CC&N) application to provide water and wastewater service near the town of Littlefield in northwest Mohave County. The requested water service area is approximately two and three quarter square-miles. The Company is requesting four and one quarter square-miles for its wastewater service area.

II. System Analysis

A. Water System

The Company proposes a water system that will consist of two wells (150 gallons per minute each), one storage tank (150,000 gallons), three booster pumps (one 30-HP, one 7½- HP and one 3-HP), one 45-KVA on-site generator and a distribution system to serve 600 customers within the first five years of operation. The system was designed to meet fire flow demand.

Staff concludes that the proposed water system will have adequate production and storage capacity to serve the proposed CC&N area within a conventional five year planning period. It can reasonably be expected that the Company will develop additional storage and production capacity when it is required in the future.

B. Wastewater System

The Company proposes an on-site wastewater treatment and disposal system. The treatment and disposal system will consist of a 150,000 gallons per day (GPD) treatment plant manufactured by the Mar-Wood and two unlined evaporation/transpiration ponds. The plant is also equipped with chlorination and

dechlorination equipment. The Company will expand the disposal system to include six unlined ponds when needed in the future.

Staff concludes that the proposed wastewater system will have adequate capacity to serve the proposed CC&N area within a conventional five year planning period. It can reasonably be expected that the Company will develop additional system capacity when it is required in the future.

III. Cost Analysis

A. Water System

Staff's recommended adjustments to the Company's cost estimates are listed in the right-hand column of the table below:

| NARUC Account | Description | Company's cost estimate (\$) | Staff adjusted cost estimate (\$) |
|---------------|--|---|---|
| 301 | Organization | 15,000 | 0 |
| 302 | Franchise | 500 | 0 |
| 303 | Land & Land Rights: Parcel for tank site (220'x120') Parcel for well site (120' x 55') | 40,000 | 40,000 |
| 304 | Structure & Improvements: 1,380' of fencing Well enclosure Power panel and interconnect Site grading | 16,560 30,000 60,000 0 | 13,800 (@ \$10/ft) 30,000 0 5,000 |
| 307 | Wells: Two wells (10" casing, 286' deep) Power panel and interconnect | 28,000 0 | 28,000 60,000 |
| 310 | Power Generation Equipment: One 45 KVA on-site generator | 45,000 | 27,000 (one 50 KW generator) |
| 311 | Pumping Equipment: Pumps Control /pipes | 100,000 54,710 | 50,000 20,000 |
| 320 | Water treatment plant | 5,000 | 5,000 |
| 330 | Reservoirs/ Standpipes: 150,000 gal storage tanks Site grading Piping and appurtenances | 360,000 (Two @ \$180,000 /unit) 5,000 10,000 | 150,000 (One @ \$150,000/unit) 0 10,000 |

| | | | |
|-----|---|--------------------------------------|------------------------------------|
| 331 | Mains & Transmission: 5,000' of 8" PVC | 65,000 | 65,000 |
| 333 | Service lines: 150 residential units | 75,000 | 75,000 |
| 335 | Fire hydrants | 24,200 (11 FH @ \$2,200/unit) | 19,800 (11 FH @ \$1,800/ unit) |
| 336 | Backflow prevention devise | 50,000 (ten 6" @ \$5,000/unit) | 10,000 (two 6" @ \$5,000/ unit) |
| 339 | Miscellaneous Plant Equipment | 2,500 | 2,500 |
| 340 | Office Furniture and fixtures | 0 | 0 |
| 344 | Lab equipment | 4,000 | 4,000 |
| | Total | 990,470 | 615,100 |

The Company's estimated water system costs after Staff adjustments appear reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for rate base. No "used and useful" determination of the proposed plant in service was made, and no conclusions should be inferred for rate making or rate base purposes.

B. Wastewater System

Staff's recommended adjustments to the Company's cost estimates are listed in the right-hand column of the table below:

| NARUC Account | Description | Company's cost estimate (\$) | Staff adjusted cost estimate (\$) |
|---------------|---|------------------------------|--|
| 351 | Organization | 0 | 0 |
| 352 | Franchise | 0 | 0 |
| 353 | Land & Land Rights: Parcel of land 420'x400' | 60,000 | 60,000 |
| 354 | Structure & Improvements: 1,900' of fencing Tool/ Equipment shed Site grading Two evaporation lagoons (88' W, 100' L & 7' deep each) & four (33' W & 33' L) ponds | 22,800 6,000 0 0 | 19,000 (@ \$10/ft) 6,000 75,000 25,000 (for two 88'x100'x7' ponds @\$12,500/unit)) |
| 355 | Power Generation Equipment: Emergency generator (45 KVA) | 40,000 | 27,000 (one 50 KW generator) |
| 361 | Collection Sewer – Gravity fed | | |

| | | | |
|-----|--|--|--|
| | (from Scenic Area to Elbow Canyon): 2,500' of 15" PVC, 2,600' of 12" PVC, 5,300' of 8" PVC, 24 manholes | 80,000 (@ \$32/ft) 59,800 (@ \$23/ft) 63,600 (@ \$12/ft) 43,200 (@\$1,800/MH) | 80,000 59,800 63,600 33,600 (@1,400/ 4'-Diameter MH) |
| 363 | Service laterals: 150 residential lots | 52,500 | 52,500 |
| 367 | Meter Installation: One Parshall flume/ automatic flow recorder | 10,000 | 10,000 |
| 370 | Receiving wells: One wet well Dist Box/ Headworks/Bar screen/ | 50,000 20,000 | 50,000 20,000 |
| 380 | Treatment & disposal Equipment: 150,000 GPD treatment plant Site grading evaporation lagoons power to site chemical feeder | 300,000 (two @ \$150,000/unit) 75,000 75,000 (six @ \$12,500/unit) 20,000 10,000 | 150,000 (one @ \$150,000/unit) 0 0 20,000 10,000 |
| 381 | Plant Services lines: Piping and valves | 31,007 | 31,000 |
| 394 | Lab equipment | 5,000 | 5,000 |
| 397 | Miscellaneous Plant Equipment | 10,000 | 10,000 |
| | | | |
| | Total | 1,033,907 | 807,500 |

The Company's estimated wastewater system costs after Staff adjustments appear reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for rate base. No "used and useful" determination of the proposed plant in service was made, and no conclusions should be inferred for rate making or rate base purposes.

IV. Arizona Department of Environmental Quality (ADEQ) Capacity Development

A. Water System

ADEQ Capacity Development rules, effective September 23, 1999, require new public drinking water systems to meet (1) financial capacity, (2) managerial capacity, and (3) technical capacity requirements. ADEQ will accept a financial determination made by this Commission as meeting the financial capacity requirements for new water systems under the jurisdiction of the Commission. The technical and managerial capability is determined by ADEQ. All three components are combined in the final approval of the water company's "elementary business plan", pursuant to ADEQ rule R-18-4-606. The three components are reviewed and approved sequentially, with the technical capacity approval and "Approval to Construct" being the last performed. The Approval to Construct acts as a control point in the process, and once an Approval to Construct has been issued; it can be assumed that the water company has complied with the capacity development rules. Therefore, it is recommended that Sunrise Utilities Water Company submit a copy of the ADEQ "Approval To Construct" for water source/treatment plant and water distribution system within one year of the effective date of the final decision issued pursuant to this application.

B. Wastewater System

ADEQ has not approved the proposed on-site wastewater treatment and disposal system. Staff recommends that Sunrise Utilities Company submit a copy of the Letter of Intent for the wastewater discharge permit that will be issued by the ADEQ within one year of the effective date of the final decision issued pursuant to this application.

V. Arizona Department of Water Resources (ADWR)

Water System

The Company is not located within any Active Management Area, as designated by ADWR. Staff recommends that the Company file with the Commission a copy of the developers' Letter of Adequate Water Supply, stating that there is adequate water to serve the proposed customers, within a year of the effective date of the final decision issued pursuant to this application.

VI. Depreciation Rates

A. Water System

Staff has developed typical and customary depreciation rates within a range of anticipated equipment life. These rates are presented in Table 1, and it is recommended that the Company use the depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category, as delineated in this table.

Table 1
Water Depreciation Rates

| Acct. No. | Depreciable Plant | Average Service Life (Years) | Annual Accrual Rate (%) |
|-----------|--------------------------------------|------------------------------|-------------------------|
| 304 | Structures & Improvements | 30 | 3.33 |
| 305 | Collecting & Impounding Reservoirs | 40 | 2.50 |
| 306 | Lake, River, Canal Intakes | 40 | 2.50 |
| 307 | Wells & Springs | 30 | 3.33 |
| 308 | Infiltration Galleries | 15 | 6.67 |
| 309 | Raw Water Supply Mains | 50 | 2.00 |
| 310 | Power Generation Equipment | 20 | 5.00 |
| 311 | Pumping Equipment | 8 | 12.5 |
| 320 | Water Treatment Equipment | | |
| 320.1 | Water Treatment Plants | 30 | 3.33 |
| 320.2 | Solution Chemical Feeders | 5 | 20.0 |
| 330 | Distribution Reservoirs & Standpipes | | |
| 330.1 | Storage Tanks | 45 | 2.22 |
| 330.2 | Pressure Tanks | 20 | 5.00 |
| 331 | Transmission & Distribution Mains | 50 | 2.00 |
| 333 | Services | 30 | 3.33 |
| 334 | Meters | 12 | 8.33 |
| 335 | Hydrants | 50 | 2.00 |
| 336 | Backflow Prevention Devices | 15 | 6.67 |
| 339 | Other Plant & Misc Equipment | 15 | 6.67 |
| 340 | Office Furniture & Equipment | 15 | 6.67 |
| 340.1 | Computers & Software | 5 | 20.00 |
| 341 | Transportation Equipment | 5 | 20.00 |
| 342 | Stores Equipment | 25 | 4.00 |

| | | | |
|-----|--------------------------------|------|-------|
| 343 | Tools, Shop & Garage Equipment | 20 | 5.00 |
| 344 | Laboratory Equipment | 10 | 10.00 |
| 345 | Power Operated Equipment | 20 | 5.00 |
| 346 | Communication Equipment | 10 | 10.00 |
| 347 | Miscellaneous Equipment | 10 | 10.00 |
| 348 | Other Tangible Plant | ---- | ---- |

B. Wastewater System

Staff has developed typical and customary depreciation rates within a range of anticipated equipment life. These rates are presented in Table 2, and it is recommended that the Company use the depreciation rates by individual NARUC category, as delineated in this table.

Table 2
DEPRECIATION RATES FOR WASTEWATER SYSTEM

| Acct. No. | Depreciable Plant | Average Service Life (Years) | Annual Accrual Rate (%) |
|--------------|---|---------------------------------------|-------------------------------|
| 354 | Structures & Improvements | 30 | 3.33 |
| 355 | Power Generation Equipment | 30 | 3.33 |
| 360 | Collection Sewers – Force | 50 | 2.00 |
| 361 | Collection Sewers – Gravity | 50 | 2.00 |
| 362 | Special Collecting Structures | 50 | 2.00 |
| 363 | Services to Customers | 50 | 2.00 |
| 364 | Flow Measuring Devices | 10 | 10.00 |
| 365 | Flow measuring Installations | 20 | 5.00 |
| 366 | Reuse Servicest | 50 | 2.00 |
| 367 | Reuse Meters and Meter Installations | 30 | 3.33 |
| 370 | Receiving Wells | 30 | 3.33 |
| 371 | Pumping Equipment | 10 | 10.00 |
| 374 | Reuse Distribution Reservoirs | 40 | 2.50 |
| 375 | Reuse Transmission and Distribution System | 50 | 2.00 |
| 380 | Treatment and Disposal Equipment | 20 | 5.00 |
| 381 | Plant Sewers | 20 | 5.00 |
| 382 | Outfall Sewer Lines | 25 | 4.00 |
| 389 | Other Plant & Misc Equipment | 15 | 6.67 |

| | | | |
|-------|--------------------------------|------|-------|
| 390 | Office Furniture & Equipment | 15 | 6.67 |
| 390.1 | Computers & Software | 5 | 20.00 |
| 391 | Transportation Equipment | 5 | 20.00 |
| 392 | Store Equipment | 25 | 4.00 |
| 393 | Tools, Shop & Garage Equipment | 20 | 5.00 |
| 394 | Laboratory Equipment | 10 | 10.00 |
| 395 | Power Operated Equipment | 20 | 5.00 |
| 396 | Communication Equipment | 10 | 10.00 |
| 397 | Miscellaneous Equipment | 10 | 10.00 |
| 398 | Other Tangible Plant | ---- | ---- |

VII. Other Issues

A. Arsenic

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter (" $\mu\text{g/l}$ ") or parts per billion ("ppb") to 10 $\mu\text{g/l}$. The date for compliance with the new MCL is January 23, 2006. The most recent lab analysis provided by the Company indicates that the arsenic levels in both Wells are 12 $\mu\text{g/l}$ and 11.6 $\mu\text{g/l}$ which are above the new arsenic MCL. The Company indicated that it will use granular ferric hydroxide (GFH) technology manufactured by the USFilter to reduce the arsenic concentration in its water; however the Company's proposed treatment plan has not been submitted to ADEQ for its review and approval. Therefore, Staff recommends that the Company submit its ADEQ Certificate of Approval to Construct for arsenic treatment by October 31, 2005.

B. Curtailment Tariff

A curtailment tariff is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events. Since the Company does not have a curtailment tariff, this application provides an opportune time to prepare and file such a tariff. Staff recommends that the Company file a curtailment tariff as soon as possible, but no later than ninety (90) days after the effective date of the final Decision in this matter. The tariff shall be filed with Docket Control as a compliance item under this same docket number for Staff's review and certification.

Staff further recommends that the tariff shall generally conform to the sample tariff found on the Commission's web site at www.cc.state.az.us. Staff recognizes that the Company may need to make minor modifications according to their specific management, operational, and design requirements as necessary and appropriate.

C. Off-site Hookup Fee Charges For Water and Wastewater Systems

The Company has proposed to implement off-site hookup fees for its water and wastewater services. Because new water and wastewater CC&Ns are being established, Staff recommends that the Company's request to implement off-site hookup fees for its water and wastewater services be denied.

Summary

I. Conclusions

1. Staff concludes that the proposed water system will have adequate production and storage capacity to serve the proposed CC&N area within a conventional five year planning period.
2. Staff concludes that the proposed wastewater system will have adequate capacity to serve the proposed CC&N area within a conventional five year planning period.
3. The Company's estimated water and wastewater system costs after Staff adjustments appear reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for rate base. No "used and useful" determination of the proposed plant in service was made, and no conclusions should be inferred for rate making or rate base purposes.

II. Recommendations

1. Staff recommends that Sunrise Utilities Water Company submit a copy of the ADEQ "Approval To Construct" for water source/treatment plant and water distribution system within one year of the effective date of the final decision issued pursuant to this application.
2. Staff further recommends that that Sunrise Utilities Company submit a copy of the Letter of Intent for the wastewater discharge permit, that will be issued by the ADEQ, within one year of the effective date of the final decision issued pursuant to this application.
3. Staff further recommends that the Company file with the Commission a copy of the developers' Letter of Adequate Water Supply, stating that there is adequate water supply, within a year of the effective date of the final decision issued pursuant to this application.
4. Staff further recommends that the Company use the depreciation rates delineated in Tables 1 and 2 for its water and wastewater systems.

5. Staff further recommends that the Company submit its ADEQ Certificate of Approval to Construct for arsenic treatment by October 31, 2005.
6. Staff further recommends that the Company's request to implement off-site hookup fees for its water and wastewater services be denied.
7. Staff further recommends that the Company file a curtailment tariff as soon as possible, but no later than ninety (90) days after the effective date of the final Decision and Order in this matter. The tariff shall be filed with Docket Control as a compliance item under this same docket number for Staff's review and certification. Staff further recommends that the tariff shall generally conform to the sample tariff found on the Commission's web site at www.cc.state.az.us.

Cc Ron Ludders

MEMORANDUM

TO: James Fisher
Executive Consultant – Utilities Division

FROM: Ronald E. Ludders *REL*
Public Utilities Analyst V – Utilities Division

Date: February 18, 2005

RE: SUNRISE UTILITIES, L.L.C. APPLICATION FOR A NEW
CERTIFICATE OF CONVENIENCE AND NECESSITY
DOCKET NO. WS-04247A-04-0604

Introduction

On August 17, 2004 Sunrise Utilities, L.L.C. ("Sunrise" or "Company") submitted an application to the Arizona Corporation Commission ("Commission") for a Certificate of Convenience and Necessity ("CC&N") to provide public utility water service and wastewater service in Mohave County, Arizona. The application indicates that there are presently no customers receiving service in the area of the requested CC&N. At the end of five years the Company is projecting to serve 600 customers.

Fair Value Rate Base

Consistent with Commission rules, the Company's filing included the required five-year projections for plant values, operating revenues, operating expenses, and number of customers. Projections and assumptions are necessary to establish a fair value rate of return and initial rates due to the lack of historical information. In this proceeding, the projected original cost rate base is the fair value rate base. Staff reviewed the Company's projections and made several adjustments. Because Staff recommended adjustments to the Company's first year cost estimates, adjustments in Plant in Service, Accumulated Depreciation and Depreciation Expense were made to the five-year projection (Schedules REL-W-1 and REL-WW-1). Additionally, Staff made changes to Advances in Aid of Construction as a result of the Staff's recommendations and made allowances for its payback at a rate of 10 percent for the annual revenue generated on each system. Staff further adjusted rate base to reflect its removal of the Company's proposed hook-up fees.

Staff determined the projected rate base for the water plant in service to be \$348,324 at the end of the first year (Schedule REL-W-1). Staff determined the rate base for the wastewater plant in service to be \$723,281 at the end of the first year (Schedule REL-WW-1).

Revenue and Expenses

As justification for the initial rates, the Company has estimated its revenue and expenses. Staff has reviewed the estimates and made several adjustments. Revenue was adjusted to reflect Staff's proposed rates. Staff normalized purchased pumping power to obtain its cost figures. The management fee requested by the Company for water was \$8.33 per month and \$7.00 per month for wastewater. Staff believes these fees to be excessive and has adjusted these figures to \$5.00 per month for each service provided. Depreciation expense was adjusted to reflect Staff's changes to plant in service. Property taxes were also adjusted to reflect Staff's proposed revenue. Staff removed income tax expense. L.L.C.'s have the option of filing as a partnership with no income tax liability. The projected income statements for water and wastewater are depicted at Schedules REL-W-1 and REL-WW-1.

Rate Design

The Company's projected revenue is derived solely from the residential class customers. Staff based its rate design on its adjustment to expenses and rate base.

There are differences between the Company proposed rates and Staff's recommended rates. To promote conservation in the use of water the Commission has been recommending a three-tiered rate structure for the commodity charges. Staff recommends its three tier rates versus the Company's proposed two-tier rates (see Schedule REL-W-2). Staff's recommended rates will result in a monthly residential water bill of \$57.58 based on average usage of 8,740 gallons. The Company's rates for the same usage would generate a \$40.29 average monthly bill.

The wastewater rates requested by the Company are a monthly fixed fee. Staff's recommended residential fee is \$28.00 per month versus the Company's requested fee of \$33.00 per month. This is due primarily to Staff's reduction to the Company's estimated wastewater plant costs of over \$22,000. This adjustment reduced annual depreciation expense by nearly \$15,000.

The Company's hook-up fees were removed by Staff. It is this Commission's normal procedure to allow hook-up fees only to companies already holding and operating under a CC&N. The elimination of the hook-up fee reduces the Company's source of capital by \$325,000 in the first year of operations and \$1,950,000 in a five year period. Staff recommends the Company seek other means of financing that do not include contributions.

Staff recommends that the Company's charge for minimum deposit be as per Rule R14-2-403.B.7. Other service charges proposed the Company were adjusted by Staff to

more closely reflect those being proposed in other CC&N cases and approved by the Commission.

The information filed by the Company in its proposed tariff sheets contains too many footnotes, is difficult to follow and therefore not accepted by Staff. Instead, Staff recommends the approval of its rates, charges and terms of service as supported by the Arizona Administrative Code, Article 4, Water Utilities and Article 6, Sewer Utilities and should be adopted by the Commission. The Company should be required to submit a revised tariff consistent with this recommendation.

Recommendations

Staff recommends:

- approval of Staff's rates as shown on Schedules REL-W-2 and REL-WW-2. In addition to collection of its regular rates, the Company may collect from its customers a proportionate share of any privilege, sales or use tax.
- the Company be required to notify the Director of the Utilities Division within 15 days of providing service to its first customer.
- the Company be required to file a rate application no later than three months following the fifth anniversary of the date the Company begins providing service to its first customer.
- the Company be required to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Water and Wastewater Utilities.
- the Company be required to use the depreciation rates recommended by Staff for water and wastewater utilities.

WATER Proforma Income Statement and Original Cost Rate Base

| | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 |
|---------------------------------------|------------|--------------|--------------|--------------|--------------|
| OPERATING REVENUE: | \$ 34,548 | \$ 77,733 | \$ 120,918 | \$ 164,103 | \$ 207,288 |
| Operating Expenses: | | | | | |
| Purchased Water/Pumping Power | \$ 2,785 | \$ 9,051 | \$ 16,014 | \$ 22,977 | \$ 29,939 |
| Admin. & General | | | | | |
| Maintenance & Testing | 7,200 | 13,950 | 20,250 | 27,750 | 35,250 |
| Management Fee | 3,000 | 9,750 | 17,250 | 24,750 | 32,250 |
| SDWA Compliance | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 |
| Depreciation | 23,801 | 35,213 | 39,111 | 43,009 | 55,482 |
| Property Taxes | 1,467 | 2,383 | 3,300 | 5,133 | 6,966 |
| Other Taxes | 50 | 50 | 50 | 50 | 50 |
| TOTAL OPERATING EXPENSE: | \$ 40,803 | \$ 72,898 | \$ 98,475 | \$ 126,169 | \$ 162,438 |
| OPERATING INCOME (LOSS) | \$ (6,255) | \$ 4,835 | \$ 22,443 | \$ 37,934 | \$ 44,850 |
| Number of Customers: | | | | | |
| Residential | 100 | 225 | 350 | 475 | 600 |
| Commercial | - | - | - | - | - |
| | 100 | 225 | 350 | 475 | 600 |
| Plant in Service | \$ 615,000 | \$ 1,252,600 | \$ 1,471,350 | \$ 1,690,100 | \$ 2,390,100 |
| Less: Accumulated Depreciation | 23,801 | 59,014 | 98,125 | 141,133 | 196,615 |
| Less: Advances in Aid of Construction | 242,875 | 426,057 | 640,488 | 854,920 | 1,000,601 |
| ORIGINAL COST RATE BASE | \$ 348,324 | \$ 767,529 | \$ 732,737 | \$ 694,047 | \$ 1,192,883 |
| Rate of Return | -1.80% | 0.63% | 3.06% | 5.47% | 3.76% |

RATE DESIGN - WATER

-Proposed Rates-

| Monthly Usage Charge | Company | Staff |
|--|-----------|----------|
| 5/8" x 3/4" Meter | \$18.00 | \$28.00 |
| 3/4" Meter | 27.00 | 42.00 |
| 1" Meter | 45.00 | 70.00 |
| 1½" Meter | 90.00 | 140.00 |
| 2" Meter | 144.00 | 224.00 |
| 3" Meter | - | 270.00 |
| 4" Meter | 450.00 | 700.00 |
| 5" Meter | - | 980.00 |
| 6" Meter | 900.00 | 1,400.00 |
| Gallons Included in Minimum | 0 | 0 |
| <u>Usage Charges</u> | | |
| In excess of minimum - per 1,000 gallons | | |
| From 1 - 7,000 gallons | \$ 2.50 | N/A |
| In excess of 7,000 gallons | 2.75 | N/A |
| From 1 - 3,000 | N/A | \$ 2.50 |
| From 3,001 - 8,000 | N/A | 3.75 |
| In excess of 8,000 | N/A | 4.50 |
| <u>Construction Water</u> | | |
| Gallons included in Minimum | - | - |
| 2 Inch Hydrant Meter (Unlimited Gallons) | \$ 100.00 | N/A |
| Commodity charge per 1,000 gallons | 2.75 | - |
| 2 Inch Hydrant Meter (1,000 gallons) | N/A | \$ 4.50 |

RATE DESIGN - WATER

| | Company | Staff |
|--|----------|----------|
| <u>Service Line and Meter Installation Charges</u> | \$500.00 | \$480.00 |
| 5/8" x 3/4" Meter | 575.00 | 560.00 |
| 3/4" Meter | 660.00 | 650.00 |
| 1" Meter | 900.00 | 895.00 |
| 1½" Meter | 1,525.00 | 1,555.00 |
| 2" Meter | 0.00 | 2,235.00 |
| 3" Meter | 3,360.00 | 3,440.00 |
| 4" Meter | - | - |
| 5" Meter | 6,035.00 | 6,195.00 |
| 6" Meter | | |
| <u>Service Charges</u> | | |
| Establishment | \$20.00 | \$20.00 |
| Establishment (After Hours) | 40.00 | 30.00 |
| Reconnection (Delinquent) | 50.00 | 20.00 |
| Reconnection (After Hours) | 65.00 | 30.00 |
| NSF Check | 20.00 | 20.00 |
| Meter Re-Read (If Correct) | 5.00 | 5.00 |
| Meter Test (If Correct) Flat fee charge, no other costs included | 25.00 | 10.00 |
| Deferred Payment - per month | 1.50% | 1.50% |
| Deposit | * | * |
| Deposit Interest | 3.00% | 6.00% |
| Re-Establishment (Within 12 Months) | ** | ** |
| Late Payment Charge | *** | 1.5% |
| Service Calls, (per hour, after hours only) | \$ 40.00 | 0 |

* Per Commission Rules (R14-2-4-3.B)

** Months off system times the minimum (R14-2-403.D)

*** Greater of \$5.00 or 1.5% of unpaid balance.

WASTEWATER **Proforma Income Statement and** **Original Cost Rate Base**

OPERATING REVENUE:

| YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 |
|-----------|-----------|-----------|------------|------------|
| \$ 16,800 | \$ 54,600 | \$ 96,600 | \$ 138,600 | \$ 180,600 |

Operating Expenses:

| | | | | | |
|-------------------------------|----------|----------|----------|----------|----------|
| Purchased Water/Pumping Power | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ 2,000 |
| Admin. & General | | | | | |
| Maintenance & Testing | 5,300 | 12,050 | 19,550 | 27,050 | 34,550 |
| Management Fee | 3,000 | 9,750 | 17,250 | 24,750 | 32,250 |
| Vehicle Expense | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 |
| Depreciation | 25,566 | 27,720 | 29,874 | 32,566 | 41,719 |
| Property Taxes | 713 | 1,515 | 2,377 | 4,101 | 5,884 |
| Other Taxes | - | - | - | - | - |

TOTAL OPERATING EXPENSE:

| | | | | |
|-----------|-----------|-----------|-----------|------------|
| \$ 37,779 | \$ 54,236 | \$ 72,251 | \$ 91,666 | \$ 117,602 |
|-----------|-----------|-----------|-----------|------------|

OPERATING INCOME (LOSS)

| | | | | |
|-------------|--------|-----------|-----------|-----------|
| \$ (20,979) | \$ 364 | \$ 24,349 | \$ 46,934 | \$ 62,998 |
|-------------|--------|-----------|-----------|-----------|

Number of Customers:

| | | | | | |
|-------------|-----|-----|-----|-----|-----|
| Residential | 100 | 225 | 350 | 475 | 600 |
| Commercial | - | - | - | - | - |
| | 100 | 225 | 350 | 475 | 600 |

| | | | | | |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Plant in Service | \$ 807,541 | \$ 915,223 | \$ 1,022,904 | \$ 1,157,505 | \$ 1,615,151 |
| Less: Accumulated Depreciation | 25,566 | 53,286 | 83,159 | 115,725 | 157,444 |
| Less: Advances in Aid of Construction | 58,695 | 204,915 | 350,715 | 534,015 | 717,315 |
| ORIGINAL COST RATE BASE | \$ 723,281 | \$ 657,022 | \$ 589,029 | \$ 507,765 | \$ 740,392 |

Rate of Return

| | | | | |
|--------|-------|-------|-------|-------|
| -2.90% | 0.06% | 4.13% | 9.24% | 8.51% |
|--------|-------|-------|-------|-------|

RATE DESIGN - WASTEWATER

| | | -Proposed Rates- | |
|--|-----------------------------|------------------|-----------|
| <u>Monthly Usage Charge</u> | | Company | Staff |
| All Residential Sales | | \$33.00 | \$28.00 |
| All Commercial Sales | | \$ 50.00 | \$ 50.00 |
| <u>Effluent Sales</u> | | | |
| All Sizes | On a per 1,000 gallon basis | \$ 0.62 | \$ 0.62 |
| All Sized | On a pere acre foot basis | \$ 200.00 | \$ 200.00 |
| <u>Service Lateral Connection Charge</u> | | | |
| Residential | | \$ 500.00 | 0.00 |
| Commercial | | Cost | 0.00 |
| <u>Service Charges</u> | | | |
| Establishment | | \$20.00 | \$20.00 |
| Establishment (After Hours) | | 40.00 | 35.00 |
| Reconnection (Delinquent) | | 50.00 | 20.00 |
| Reconnection (After Hours) | | 65.00 | 30.00 |
| NSF Check | | 20.00 | 20.00 |
| Deferred Payment - per month | | 1.50% | 1.50% |
| Deposit | | * | * |
| Deposit Interest | | 3.00% | 6.00% |
| Re-Establishment (Within 12 Months) | | ** | ** |
| Late Payment | | *** | 1.50% |

* Per Commission Rules (R14-2-4-3.B)

** Months off system times the minimum (R14-2-403.D)

*** Greater of \$5.00 or 1.5% of the unpaid balances.



0000019455

MEMORANDUM

RECEIVED

S-1

TO: Docket Control

From: Ernest G. Johnson
Director
Utilities Division

RECEIVED

MAR 29 2005

2005 MAR 29 P 4: 15

AZ CORP COMMISSION
DOCUMENT CONTROL

Date: March 28, 2005

LEGAL DIV.
ARIZ. CORPORATION COMMISSIONRe: STAFF REPORT FOR DESERT LIVING ESTATES HOMEOWNER'S
ASSOCIATION, AN ARIZONA NON-PROFIT CORPORATION, FOR
ADJUDICATION NOT A PUBLIC SERVICE CORPORATION (DOCKET NO.
W-04301A-05-0010)

Attached is the Staff Report for Desert Living Estates Homeowner's Association application for adjudication not a public service corporation. Staff recommends the Commission approve the application with conditions.

EGJ:RXL:jg/red

Originator: Reg Lopez

RECEIVED

2005 MAY 11 P 12: 17

AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission

DOCKETED

MAY 11 2005

| | |
|-------------|----|
| DOCKETED BY | RN |
|-------------|----|

EXHIBIT

S-1

admitted

DLHOA

Service list for: Desert Living Estates Homeowner's Association.
Docket No. W-04301A-05-0010

Mr. Thomas Potter
Desert Living Estates HOA
6700 North Oracle Road, Suite 414
Tucson, Arizona 85714

Mr. S. Leonard Scheff
2720 East Broadway Boulevard
Tucson, Arizona 86716

Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**DESERT LIVING ESTATES HOMEOWNER'S ASSOCIATION
AN ARIZONA NON-PROFIT CORPORATION**

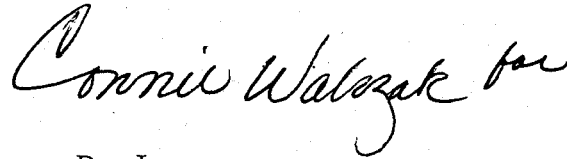
DOCKET NO. W-04301A-05-0010

**APPLICATION FOR ADJUDICATION
NOT A PUBLIC SERVICE CORPORATION**

MARCH 2005

STAFF ACKNOWLEDGEMENT

The Staff report for Desert Living Homeowner's Association (Docket No. W 04301A-05-0010) was the responsibility of Reg Lopez.

A handwritten signature in cursive script, reading "Connie Walozek for".

Reg Lopez
Public Utilities Consumer Analyst II

EXECUTIVE SUMMARY
DESERT LIVING ESTATES HOMEOWNER'S ASSOCIATION
DOCKET NO. W-04301A-05-0010

On January 10, 2005, Desert Living Estates Homeowner's Association ("Desert Living" or "HOA") an Arizona Non-Profit Corporation, filed an application for an Adjudication Not a Public Service Corporation with the Arizona Corporation Commission ("Commission").

Desert Living is a non-profit association which was established to provide potable water to a proposed subdivision consisting of 60 residential properties northwest of Tucson, east of Interstate 10 in Pinal County. Desert Living is requesting a determination that it is not a public service corporation.

The criteria to determine that a water provider is not public service corporation within the meaning of Article XV; Section 2 of the Arizona Constitution was reviewed by the Arizona Supreme Court in Natural Gas Service v. Serv-U Cooperative, Inc. The court provided an eight point review criteria for the Commission to review. Subsequently the Commission issued a policy directive for the evaluation of applications for adjudication not a public service corporation on May 7, 1987, in Decision No. 55568, which consisted of a seven (7) review criteria.

Staff recommends the Commission approve the Desert Living Estates Homeowners Association's application for adjudication not a public service company subject to the following conditions:

1. That the Desert Living Estates Homeowners Association's file with Docket Control the recorded Codes, Covenants & Restrictions for the Association demonstrating compliance with the equal voting requirements of the Arizona Corporation Commission's policy for adjudication not a public service company.
2. That the Desert Living Estates Homeowners Association's file with Docket Control a copy of the Arizona Department of Water Resources Certificate of Assured Water Supply for service to the Association.
3. That the Desert Living Estates Homeowners Association's file with Docket Control a copy of the Arizona Department of Environmental Quality Approval of Construction for the proposed water system.
4. That the Desert Living Estates Homeowners Association's file with Docket Control documentation demonstrating ownership of the utility assets required to serve the Association.

Staff further recommends that the Commissions decision granting this adjudication not a public service company to the Desert Living Estates Homeowners Association's be considered null and void without further order from the Commission should the Desert Living Estates

Homeowners Association's fail to comply with the above conditions by December 31, 2006. In addition, if Desert Living does not comply with the above conditions by December 31, 2006, it shall file an application for a Certificate of Convenience and Necessity to provide water service by February 1, 2007.

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ATTACHMENT(S)

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Introduction

On January 11, 2005, Desert Living Estates Homeowner's Association ("Desert Living" or "Association" or "HOA") an Arizona Non-Profit Corporation, filed an application for an Adjudication Not a Public Service Corporation with the Arizona Corporation Commission ("Commission").

Desert Living is a non-profit association which was established November 24, 2003, and intends to provide potable water to a proposed subdivision consisting of 84 acres and 60 residential properties northwest of Tucson, east of Interstate 10 in Pinal County. Desert Living is requesting a determination that it is not a public service corporation.

Background

Desert Living was formed for the purpose of representing homeowners who will be residing in an area known as Desert Living Estates subdivision. Desert Living is seeking Commission adjudication that its future water service to 60 connections will not make it a public service corporation for purposes of utility regulation by the Commission.

Desert Living will be serving its members/customers within an 84 acre parcel northwest of Tucson and east of Interstate 10 near the Avra Valley. Desert Living is proposing to construct a water system consisting of a 200 gallon-per-minute ("GPM") well, a 125,000 gallon storage tank with additional booster and pressure tanks. The system is designed to comply with the fire flow requirements of a nearby fire department.

The criteria to determine that a provider is not a public service corporation within the meaning of Article XV; Section 2 of the Arizona Constitution, was reviewed by the Arizona Supreme Court in *Natural Gas v. Serv-U Cooperative, Inc.* The Court provided an eight review criteria for the Commission to review.

1. What the corporation actually does.
2. Whether the service is dedicated to public use.
3. That the articles of incorporation evidence authorization and purposes.
4. Whether the corporation is dealing with the service of a commodity in which the public has been generally held to have an interest.
5. Whether the corporation is monopolizing or intending to monopolize a territory with a public service commodity.
6. Whether the corporation is accepting of substantially all requests for service.

7. That service is under contract and reserving the right to discriminate is not always controlling.
8. Whether the corporation will have actual or potential competition with other corporations whose business is clothed with the public interest.

The Commission issued a directive for the evaluation of applications for adjudication not a public service corporation on May 7, 1987, in Decision No.55568. The Utilities Division Staff ("Staff") was directed to ensure that all such applications complied with the following seven criteria.

1. Adjudication applications must be submitted by a non-profit homeowners association.
2. The application for adjudication not a public service corporation is a bona fide request by a majority of the membership of the association through a petition signed by 51 percent or more of the existing members.
3. That all such associations making such application have complete ownership of the system and necessary assets.
4. That every customer is a member/owner with equal voting rights and that each member is or will be a customer.
5. That the service area involved encompasses a fixed territory, which is not within the service area of a municipal utility or public service corporation; or if in such territory, that municipal utility or public service corporation is unable to serve.
6. That there is prohibition against further sub-division evidenced by deed restrictions, zoning, water restrictions or other enforceable governmental regulations.
7. That the membership is restricted to a fixed number of customers, actual or potential.

Compliance with Directive 1 and 2

Desert Living incorporated as a non-profit corporation on November 24, 2003.

The directors of Desert Living are the developers. The developers have not sold any lots in the development; therefore, there are no customers/members to support or oppose the application. Currently, the developers are acting on behalf of the eventual customers/members as directors of the homeowners association. On October 20, 2004, Mr. Thomas B. Potter, President of Desert Living, and its directors being present at a special meeting, adopted a resolution approving this application for adjudication.

The application is by a non-profit corporation and supported by its current members. (See Directive 1 and 2, page 2).

Non-Compliance with Directive 3

In support of the application for adjudication, Desert Living has provided a narrative report prepared by its engineer, Mr. Daniel White. Mr. White asserts the developer will construct a water system of approximately \$281,000 to serve the HOA. Mr. White informed the Commission that the developers will finance construction of the system through one of the principles, or an associate.

The application further provides that the water system will be conveyed to Desert Living. Desert Living has represented to Staff that it would provide an executed agreement transferring the facilities to the HOA to ensure compliance to Commission policy upon approval of its application.

The Association does not have a water system constructed consistent with state regulations for public water systems. Staff recommends the Commission condition approval of the application to include that evidence that water is available, deliverable to state standards by a system owned by the Association.

Specifically, Staff recommends that the Commission require the Association to demonstrate that an appropriate water resource is available to service the expected demand of the proposed subdivision. The Association should be required to file a copy of the appropriate Arizona Department of Water Resources' ("ADWR") Certificate of Assured Water Supply ("CAWS") by December 31, 2006.

In addition, Staff recommends that the Commission require the Association to demonstrate that an appropriate water system is constructed to serve the Association. The Association should be required to file a copy of the Arizona Department of Environmental Quality's ("ADEQ") Approval of Construction for the water system.

Staff also recommends that the Association should be required to demonstrate that the water system has been conveyed to the Association by December 31, 2006.

Non-Compliance with Directive 4

Desert Living is a proposed development, without any current members or customers. All votes are currently held and controlled by the developers. Until such time as the customers own all of the lots in the development, the developers will be able to use ownership of the unsold lots as a majority vote in matters concerning the water system.

Desert Living has filed a copy of its proposed Declarations of Covenants, Conditions and Restrictions ("CC&R's). Article IV, Section 4.02 C. of the proposed CC&R's same states "each

member shall have one vote". However, Staff is unable to locate any provision within the CC&R's or other supporting documentation, which ensures voting in the association is equal among all members/lot owners.

Staff recommends the Commission require the Association to amend the proposed CC&R's to include a section ensuring equal voting rights. Staff has found verbiage from other CC&R's that provide the water system is treated separate and apart from the rest of the development. Staff recommends the Association include the following verbiage in the CC&R's:

Water System Matters. Notwithstanding anything contained in this Declaration, the Articles or the Bylaws to the contrary, in the event of any vote with respect to any Water System, each Owner shall be entitled to cast one vote for each Lot owned by such Owner. Notwithstanding the foregoing, Declarant shall not have the right to cast votes with respect to Water System Matters pursuant to the Declaration.

Staff recommends the Commission require the Association to include specific language in the CC&R's which provides equal voting among the customers and members.

Compliance with Directive 5

According to Article III, of the proposed CC&Rs Section 4.06, the Association is precluded from serving any property outside of the define subdivision.

Based on a review of certificated water providers, the Desert Living is not within or adjacent to, the service area of a municipality or public service corporation.

Compliance with Directive 6

The Association prohibits further subdivision of the existing lots. According to Article III, Section 3.04. (B) of the proposed CC&R's, no lot may be further subdivided or otherwise used by more than one primary resident.

Compliance with Directive 7

The Association ensures the number of customers is fixed at no more than 60. The proposed CC&Rs are designed for 60 lots, and prohibit expansion outside of the development.

Arizona Department of Water Resources

Desert Living is within the ADWR Tucson Active Management Area and will require demonstration of a CAWS.

ADWR has also determined there is a sufficient ground water supply via a hydrology review dated August 2004.

Staff recommends the Association be required to file a copy of the ADWR Certificate of Assured Water Supply ("CAWS") by December 31, 2006.

Summary

Desert Living has filed proposed CC&R's that currently comply with five (5) of the Commission's seven (7) criteria for adjudication. Desert Living intends to file documentation to ensure compliance with remaining criteria. The HOA is a non-profit corporation with a resolution from the developers/directors of the association to request adjudication. The HOA has limited the size of the development and ensured that no further subdivision will occur. Desert Living will ensure that utility facilities ownership is transferred to the HOA and that it is properly documented and filed with the Commission.

Recommendations

Staff recommends the Commission approve the Desert Living Estates Homeowners Association's application for adjudication not a public service company subject to the following conditions:

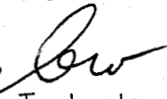
1. That the Desert Living Estates Homeowners Association's file with Docket Control the recorded amended Codes, Covenants & Restrictions for the Association demonstrating compliance with the equal voting requirements of the Arizona Corporation Commission's policy for adjudication not a public service company.
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4. That the Desert Living Estates Homeowners Association's file with Docket Control documentation demonstrating ownership of the utility assets required to serve the Association.


Staff further recommends that the Commission's decision granting this adjudication not a public service company to the Desert Living Estates Homeowners Association's be considered null and void without further order from the Commission should the Desert Living Estates Homeowners Association's fail to comply with the above conditions by December 31, 2006. In addition, if Desert Living does not comply with the above conditions by December 31, 2006, it

shall file an application for a Certificate of Convenience and Necessity to provide water service by February 1, 2007.

MEMORANDUM

TO: Jim Fisher
Executive Consultant II
Utilities Division

FROM: Barb Wells 
Information Technology Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: February 3, 2005

RE: **DESERT LIVING ESTATES HOMEOWNER'S ASSOCIATION (DOCKET NO. W-04301A-05-0010)**

Desert Living Estates has filed an application for adjudication "not a public service corporation." The area they are requesting is not being served by any other private water company and has been plotted on my map using the legal description provided with the application (a copy of which is attached).

Also attached is a copy of the map for your files.

:bsw

Attachments

cc: Docket Control
Mr. Thomas Potter
Ms. Deb Person (Hand Carried)
File

COUNTY: Pinal

RANGE 11 East

| | | | | | |
|----|----|----|----|----|----|
| 1 | 5 | 1 | 3 | 1 | 1 |
| 1 | 8 | 9 | 10 | 11 | 12 |
| 16 | 17 | 16 | 15 | 14 | 13 |
| 10 | 9 | 11 | 20 | 23 | 24 |
| | | | | | |
| 28 | 28 | 28 | 29 | 26 | 25 |
| 31 | 30 | 30 | 21 | 28 | 26 |

TOWNSHIP 10 South



W-3230 (1)
Twin Hawks Utility, Inc.

Desert Living Estates Homeowner's Association
Docket No. W-4301-05-010
Application for Adjudication

LEGAL DESCRIPTION

All that portion of the Southwest Quarter of Section 30, Township 10 South, Range 11 East, Gila and Salt River Baseline and Meridian, Pinal County, Arizona; more particularly described as follows:

Beginning at the Southwest Corner of said Section 30, thence N 00°07'57" W, along the West line of said Section 30, a distance of 1320.26 feet;

Thence leaving said West line of Section 30, S 89°58'32" E, a distance of 1447.67 feet;

Thence N 89°55'14" E, a distance of 1318.00 feet;

Thence S 00°05'03" E, a distance of 1321.48 feet to the South Quarter Corner of said Section 30;

Thence S 89°59'37" W, along the South line of said Section 30, a distance of 1319.03 feet;

Thence S 89°59'38" W, continuing along the South line of said Section 30, a distance of 1445.53 feet to the Point of Beginning.

The above described contains 3,650,824.86 square feet, OR 83.81 acres, more or less.

MEMORANDUM

DATE March 23, 2005
TO: James E. Fisher
FROM: Dorothy Hains
RE: **Adjudication Application for Desert Living Estates Homeowner's Association**
Docket No. W-04301A-05-0010

I. Introduction

Desert Living Estates Homeowner's Association, LLC ("Desert Living Estates") has submitted an Adjudication application to provide water service to Desert Living Estates Subdivision near the Avra Valley, north of Pinal Air Park, in Pinal County. The requested service area is approximately eighty four acres ($\frac{1}{8}$ square mile).

II. System Analysis

A. Water System

Desert Living Estates proposes a water system that will consist of one well (200 gallons per minute), one storage tank (125,000 gallons), one booster pump station (one 500 GPM, two 60 GPM pumps), one 6,000 gallon pressure tank and a distribution system to serve 60 customers when all subdivision lots are built out. The system is designed to meet fire flow demand per Avar Valley Fire Department requirements.

Staff concludes that the proposed water system will have adequate production and storage capacity to serve the requested area within a conventional five year planning period. It can reasonably be expected that the Company will develop additional storage and production capacity when it is required in the future.

B. Wastewater System

An individual septic tank system for wastewater treatment and disposal system for each lot is planned. Each lot is approximately 1.3 acres in size which is adequate for a septic tank system.

III. Cost Analysis

Desert Living Estates estimates that the cost of installing the proposed water system will be \$281,000. Staff believes this cost estimate is reasonable.

IV. Arsenic

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter ("µg/l") or parts per billion ("ppb") to 10 µg/l. The date for compliance with the new MCL is January 23, 2006. The proposed well has not been drilled and therefore no water quality analysis has been done.

Summary

I. Conclusions

1. Staff concludes that the proposed water system will have adequate production and storage capacity to serve the proposed area within a conventional five year planning period.
2. Desert Living Estates estimated water system costs appear reasonable and appropriate.